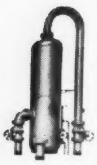
PUBLIC UTILITIES FORTNIGHTLY 25th ANNIVERSARY 1929-1954

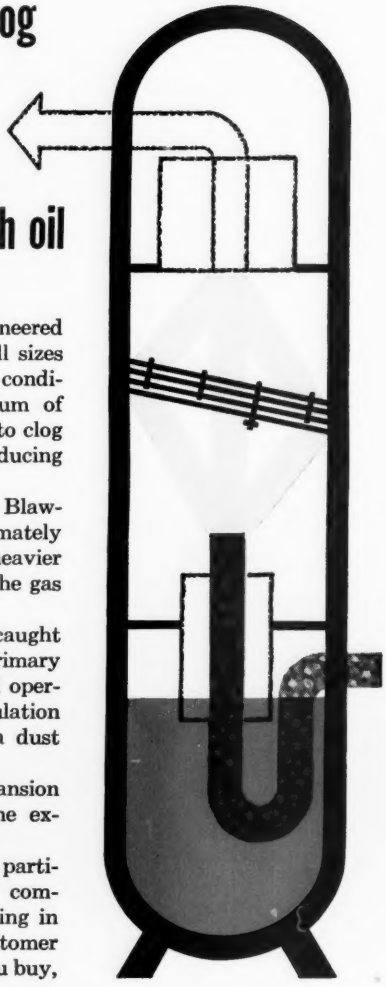
Public Utilities FORTNIGHTLY

Volume 53 No. 3 February 4, 1954

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS

no screens to clog
no cyclones to fail
BLAW-KNOX gas cleaners
immediately wash dust with oil





Blaw-Knox Gas Cleaners are engineered and built to remove dusts of all sizes under the most severe operating conditions with an absolute minimum of attention. There are no screens to clog or cyclones to errode and fail, reducing operating efficiency.

Immediately upon entering a Blaw-Knox Gas Cleaner, dust is violently, intimately washed with oil. The major portion of the heavier dust particles are actually scrubbed from the gas during this initial stage.

Remaining tiny wet dust particles are caught and agglomerated by a multiple baffle, primary separator. This separator is kept clean and operating at peak efficiency by continual recirculation of oil which washes particles down into a dust reservoir.

Finally, the gas flows through another expansion separation stage and into a multiple vane extractor which scrubs it clean of oil mist.

Traveling at high velocities, microscopic particles of pipeline dust sandblast regulators, compressor parts and metering devices, resulting in replacement costs, loss of revenue and customer ill will. Clean gas costs you less. So, when you buy, specify a Blaw-Knox Gas Cleaner and be sure that you're removing dusts of all sizes.

BLAW-KNOX

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PUBLIC UTILITIES FORTNIGHTLY . . stands for federal and state regulation of both privately owned and operated utilities and publicly owned and operated utilities, on a fair and nondiscriminatory basis; for nondiscriminatory administration of laws; for equitable and nondiscriminatory taxation; and, in general—for the perpetuation of the free enterprise system. It is an open forum for the free expression of opinion concerning public utility regulation and allied topics. It is supported by subscription and advertising revenue; it is not the mouthpiece of any group or faction; it is not under the editorial supervision of, nor does it bear the endorsement of, any organization or association. The editors do not assume responsibility for the opinions expressed by its contributors.

$1.00 a Copy
26 Issues a Year
Annual Subscription Price

United States and possessions $15.00
Pan American countries $15.00
Canada $16; all other countries $17.50

Entered as second-class matter April 29, 1915, under the Act of March 3, 1879, at the Post Office at Baltimore, Md., December 31, 1936.

Public Utilities FORTNIGHTLY

VOLUME 53 FEBRUARY 4, 1954 NUMBER 3

ARTICLES

FEATURE SECTIONS

PUBLIC UTILITIES REPORTS, INC., PUBLISHERS
Executive, Editorial & Advertising Offices ....MUNSEY BLDG., WASHINGTON 4, D. C.

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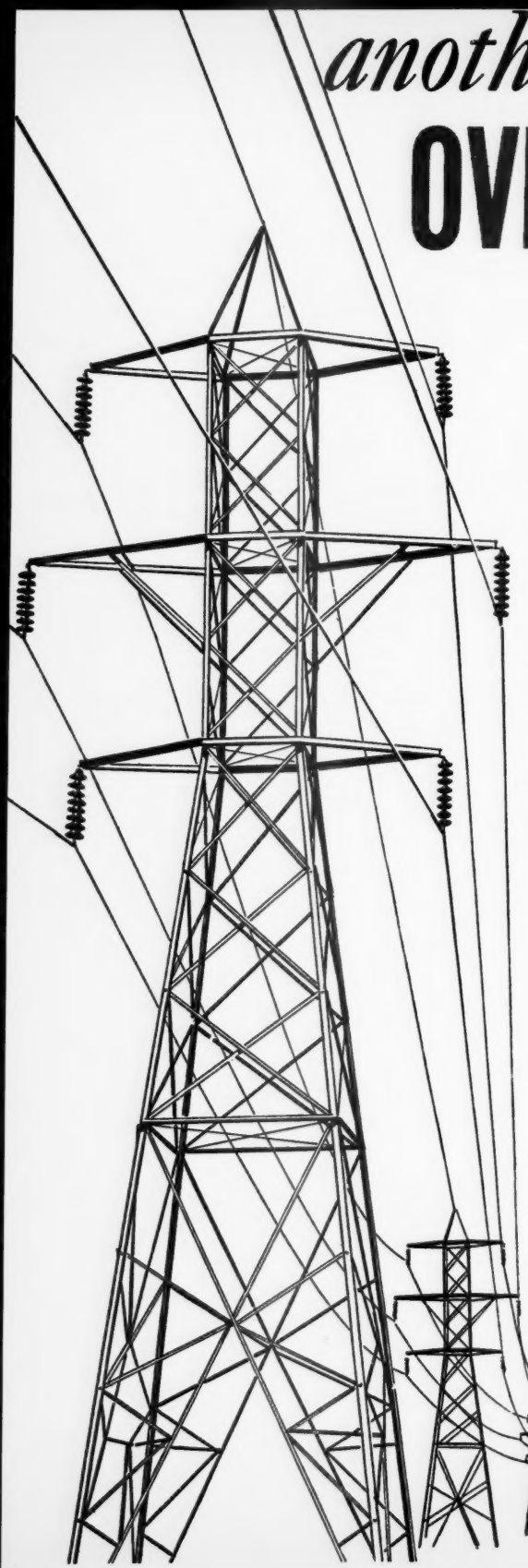
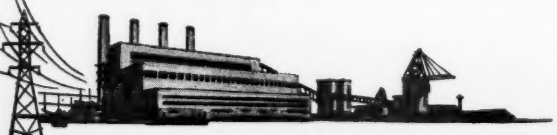


Over nine million kilowatts of new thermal and hydro-gen erating capacity put on the line during 1953, again offers proo that America's power companies are fully aware of their tre mendous responsibility for the growth and progress of thi nation. The continuing program of expansion being carrie out is a monument to the foresight of power executives an engineers. The astonishing strides they have made towar more efficient utilization of fuel, and the rapid implementa tion of new engineering developments for universal benefi mean that electricity will continue to be America's Best Ba gain. Their achievements represent many decades of prodigiou cooperative work; of sound preliminary planning and lon range vision.

A considerable portion of this new capacity—well ove 4,000,000 KW . . . is being generated by B&W Boilers of al types put in service during 1953. Represented are B&W Radi ant, Stirling, Open Pass, and Integral-Furnace Units, embody ing every major advance in the science of modern combustio and steam generation. Cyclone Furnaces, Pressure Firing, Re heat, Divided Furnace Construction, and Cyclone Steam Sepa rators, all proved by years of intensive operating experienc are included in these units—singly or in combination, as in dicated by individual circumstances and conditions—to effec the greatest possible generating economies:

- Thirteen of these units are for design pressures ove 2000 psi—all with Cyclone Steam Separators for natu ral circulation
- Four are Cyclone-Furnace-Fired
- Nineteen are for Pressurized-Furnace-Firing
- Eighteen—including the largest units of their kind— are equipped with reheaters
- Twenty have B&W's simple Divided Furnace con struction for maximum savings in building volume

The experience and advanced technology reflected in B&W's contribution to this huge volume of new capacity is a good indication of the confidence placed in B&W by electric utili ties at home and abroad . . . confidence based on the sound platform of past experience. B&W's wealth of research and creative engineering talent, its broad and diversified facilities are available to help you find the most efficient and economica solution of your steam power problems.



rdset by America's Utilities

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IN SERVICE FOR THE FOLLOWING UTILITIES IN 1953

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Braintree Electric Light Dept.
Central Louisiana Electric
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City Electric Light Company, Brisbane, Australia
City of Glendale, California
City Public Service Board, San Antonio, Texas
Commonwealth Edison Co.
Consolidated Gas Elec. Lt. & Pr. Co. of Baltimore
Consolidated Edison Co. of N. Y., Inc.
Consumers Power Co.
Dallas Power & Light Co.
Detroit Edison Co.
Duquesne Light Co.
Electricite de France
Florida Power Corp.
Gulf Power Co.
Houston Lighting & Power Co.
Indianapolis Power & Light Co.
Iowa Public Service Co.
Iowa-Southern Utilities Co.
Isefjord Power Co.
Jersey Central Power & Light
Kentucky Utilities Co.
Kingdom of Greece
Mississippi Power Co.
Niagara-Mohawk Power Corp.
Ohio Edison Co.
The Ohio Power Co.
Oklahoma Gas & Electric Co.
Philadelphia Electric Co.
Public Service Co. of Colorado
Public Service Company of New Mexico
Public Service Div. of Commonwealth Edison Co.
Soc. Gen. Elec. Della Sicilia
Societa Idroelittrica Peimonte
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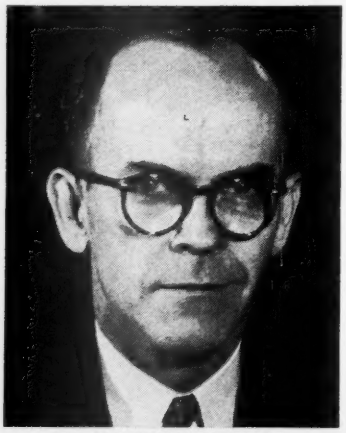
Pages with the Editors

EVER since the Eisenhower administration was installed a little more than a year ago, the problem of interpreting federal power-marketing policy rules has been a matter of lively discussion in the nation's capital. Starting with the original Reclamation Act early in the century, federal statutes controlling the distribution of benefits from multipurpose projects have contained, in one form or another, a statutory priority in favor of public agencies.

IN recent years the so-called preference clause, as written into the Flood Control Act of 1944, has been the subject of most divergent interpretations. Under former Interior Secretary Chapman, for example, the priority in favor of municipalities, cooperatives, and other public agencies buying power, or seeking to buy power, from federal projects was virtually absolute. It amounted to such a broad reservation of supply which such customers might conceivably use in future years that it was almost impractical for the business-managed utilities (nonpreference customers) to seek substantial long-term commitments.

VIEWED in this light, the "preference clause" became essentially a device for promoting the area of public ownership. Indeed, the Interior Department not only considered itself bound to reserve supplies for future needs of preference customers already in a position to buy power, but to go out and seek new customers of this class, building lines to carry the power to them. On the other hand, strict interpretation of the preference clause, which would simply give the public agency a priority as of a specified date to what amounts of power it might be ready, willing, and able to utilize on a cash and carry basis, so to speak, would be equally objectionable from the standpoint of preference customers.



FRANK MCNAUGHTON

CLARENCE A. DAVIS

SOMEWHERE between these two extreme views the Eisenhower administration is seeking to work out a reasonable compromise. Secretary of Interior McKay has announced power-marketing rules for the Missouri basin which have been criticized by public agencies as unduly restrictive. On the other hand, President Eisenhower has written to his congressional critics about his support for interpreting federal power policy in such a way as to encourage local partnership between all interests involved.

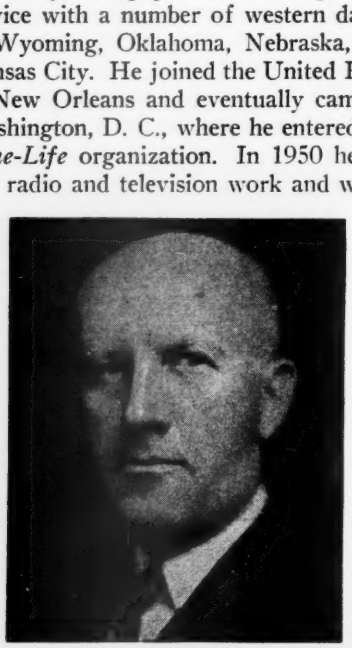
THE leading article in this issue comes from an official of the Interior Department who must be familiar with the background for the planning of federal power policy. He is CLARENCE A. DAVIS, solicitor of the department. DAVIS, a native of Nebraska, has long been prominent in state and national bar associations. He is past president of the Nebraska Bar Association

and a Nebraska representative of the house of delegates of the American Bar Association. He is a graduate of Nebraska Wesleyan University ('13) and took his law degree from Harvard University (LLB, '16). He has been practicing in Lincoln since 1937 and was appointed to his present post by President Eisenhower just a year ago.

* * * *

CONGRESS has shown a reluctance to the proposed move to televise its deliberations. Certain traditional and practical obstacles have been raised to prevent indiscriminate televising of sessions on the floor of either chamber, and in certain of its committee operations. What these obstacles are, their soundness, and the chances of their being overcome by careful educational work are told by a well-qualified writer (beginning on page 147). He is FRANK MCNAUGHTON, formerly the *Time-Life-Fortune* chief of Capitol Hill observer-reporters. More recently, MR. MCNAUGHTON has been engaged in television program production activity and has appeared as moderator on a number of TV network features.

MR. MCNAUGHTON is a native of Westboro, Missouri, and attended the University of Missouri, School of Journalism. His early newspaper work brought him service with a number of western dailies in Wyoming, Oklahoma, Nebraska, and Kansas City. He joined the United Press in New Orleans and eventually came to Washington, D. C., where he entered the *Time-Life* organization. In 1950 he began radio and television work and was a narrator for the celebrated Kefauver crime hearings. Since writing this article, he has joined the staff of Senator Douglas (Democrat, Illinois).



C. E. WRIGHT

JOHN C. HAMMER

* * * *

THE question of escalator clauses is always of interest to public utility companies. Perhaps one state where it has become a paramount consideration is the state of Florida. There the regulatory commission recently authorized fuel adjustments, statewide, to be applied to residential customers' rates. An on-the-spot account of the plan is presented by C. E. WRIGHT of Jacksonville, Florida, in a brief but very worth-while analysis (beginning on page 157).

MR. WRIGHT is a veteran newspaper reporter and business magazine editor. He has spent his recent years in Jacksonville. He started out as a reporter in Port Huron, Michigan, where he was born over sixty years ago. His business journal experience included the managing editorship of *The Iron Age*.

* * * *

JOHN C. HAMMER, whose brief article on the "Responsibilities of a Regulatory Commissioner" appears on page 154, has been a member of the Tennessee Railroad and Public Utilities Commission for a number of years.

THE next number of this magazine will be out February 18th.

The Editors

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Coming IN THE NEXT ISSUE

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TRANSITIONAL LOSS—THE CURE FOR REGULATORY LAG?

Is the public entitled to an unfairly low rate "on borrowed time," or should it pay for it like any other dedication of capital investment made for its service by a public utility company? Ever since the postwar inflation began to make public utility rate increases more and more frequent and necessary, the regulatory problem of catching up with the lag in the rate case has been a serious matter. Large public utility companies have estimated losses running into millions of dollars because of the delay between the time a petition for a rate increase is filed and the time when increased rates can go into effect. Here is the viewpoint of a Canadian regulator, who decided to do something about the matter and whose decision stuck. G. M. Blackstock, QC, until recently chairman of the Board of Public Utility Commissioners of the Province of Alberta, tells exactly what happens and what was done in the Canadian Western Natural Gas Company Case.

CREATIVE TECHNIQUE IN EXECUTIVE DEVELOPMENT

This is the story of a utility management workshop—a program for special training of executives—which grew out of an idea of industrial leaders who approached a Columbia University professor with a proposal that some such special sessions be developed. Herbert H. Jacobs, associate director of the Utility Management Workshop of Columbia University, gives us the background of what has become more than a mere experiment, showing that it takes more than a look at a man's face to determine whether he is ready for management responsibility.

WESTERN WEATHER VANE

It is a cliché on the West coast that "the abnormal becomes normal in California." Certainly the tremendous and now historic growth of the Golden state since the beginning of World War II has imposed precedent-breaking challenges on the public utility systems of that state laboring under the obligation of rendering service to the public. This is an account by Jane Eshleman Conant of the editorial staff of the San Francisco **Call-Bulletin** of how one great utility company whipped the problems of coping with a mushroom growth that never stopped growing.

WHERE JOBS GET INTO NO MAN'S LAND

What do employees think about the company, their pay checks, supervision, promotions? The secret opinion poll, taken by an outside agency, discloses valuable management facts. James H. Collins, professional writer of Hollywood, California, tells the story of a checking operation of the popularity of a utility company's management with its employees. It contains some surprises, but on the whole the results were reassuring as well as provocative.

★

Also . . . ***Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.***

Remarkable Remarks

"There never was in the world two opinions alike."
—MONTAIGNE

CLIFFORD F. HOOD
President, United States Steel Corporation.

"The only way to keep America going is to keep it growing under a system motivated by profit that is not without honor, save in Russia."

SHERMAN ADAMS
Assistant to the President.

"There are too many administrative decisions which have to do with the mode of life and habits of the individual citizen which are made so far away from his habitat that he not only has lost interest, but his sense of public responsibility."

P. C. SPENCER
President, Sinclair Oil Corporation.

"We [the oil industry] are asking only that we might be free to do what we ought to do—a freedom from arbitrary, rigid, and unnecessarily restrictive interference—a freedom to perform our responsibilities to our government and to the public."

RICHAVSOL BOWDITCH
President, Chamber of Commerce of the United States.

"Unfortunately, there are too many Americans who seem to regard money from Washington as a gift, when the fact is that the federal government can neither grant nor give. It exacts a brokerage fee for collecting our earnings from us and another for returning them to us."

MERRYLE S. RUKEYSER
Columnist.

"Now in order to make good and apply the harsh medicine of prudence and economy in fiscal and monetary affairs, public administrators need a stout heart. They should not be deterred from their mission because clever New Deal and Fair Deal propagandists cry out to heaven every time an effort is made to bring order out of chaos."

EDWARD T. MCCORMICK
President, American Stock Exchange.

"Two stumbling blocks to private enterprise, both with an adverse effect on equity investments, are the double tax on dividends and the capital gains tax. Under the double dividend tax, a shareholder is taxed not only on the net income of the corporation in which he holds his shares, but again when a portion of that income is distributed to him as a dividend."

H. E. LUEDICKE
Editor, The Journal of Commerce.

". . . it is politically difficult to prove to such groups as labor and agriculture as well as to the public generally that we cannot have a perpetual joy ride if the development of serious economic maladjustments is to be stopped. Phenomenal as the growth of our country is populationwise, as well as with respect to the rise in the standard of living, we cannot hope to grow fast enough to overcome these maladjustments without temporary trouble if we insist on aggravating the situation persistently."

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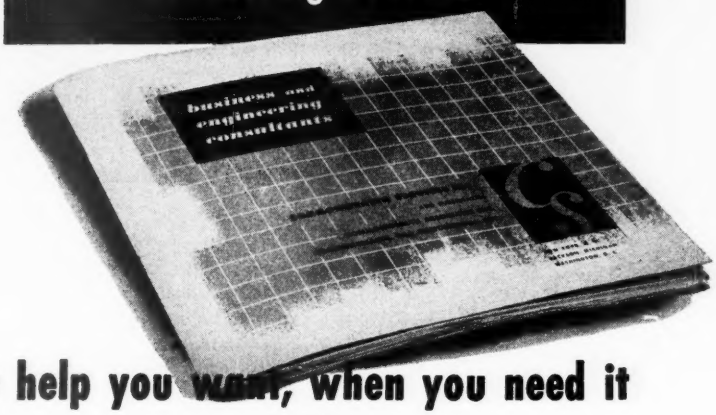

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REMARKABLE REMARKS—(*Continued*)

WILLIAM E. WOOD
Executive vice president, Virginia Electric & Power Company.

"Private enterprise must develop a business philosophy which is just, sound, and fair alike to the public, its employees, and to investors."

PAUL L. WIENER
City planner.

"If you don't plan your cities, people move out and you have decaying cities. The country is wonderful for growing products and recreation, but culture and the things that make for cultural life must be developed in the city. If the exodus from the cities goes too far, we'll have a dying culture and a decreasing civilization."

EDWARD V. RICKENBACKER
President, Eastern Air Lines.

"Insistence upon a competition in economy instead of a competition in extravagance is certain to bring about the heads of the new [government] leadership an enveloping cloud of calumny. Generated from the smudge pots of the entrenched bureaucrats, it will take no keen perception to see through this fog, but it will require a powerful fan of truth to disperse it."

W. RANDOLPH BURGESS
Deputy to the Secretary of the Treasury.

"A great many of the activities of the government and of the people of a country influence the soundness of its money, but it rests most directly upon a sound fiscal and monetary policy—that is, on a federal budget which is kept under control, on a Federal Reserve System free to operate in the public interest, and sound principles of managing the public debt."

LEONARD E. READ
President, Foundation for Economic Education.

"Socialism gains because there is nothing standing against it. A hundred years ago a citizen paid 5 per cent in taxes—not income taxes. Today government demands around 32 per cent to 33 per cent—the take by government of income earned by the people. When the government take gets between 20 per cent and 25 per cent, the effect is definitely inflationary."

EDITORIAL STATEMENT
The Wall Street Journal.

"The discovery of atomic energy, like many another great discovery and invention, has raised problems which can be met in just two ways. One way is by government edict. The other way is by public discussion, which to be effective must be based on knowledge. Yet we have a law which withholds that knowledge from the public and indeed from the majority of the members of Congress who ought to be considering whether the law has accomplished its purpose or whether it is an impossible monstrosity."

C. PETRUS PETERSON
President, National Reclamation Association.

"We are not through with the public power issue. It will continue in political debates in coming political campaigns. The hostility engendered against privately owned electric utilities, which had its origin in the sins of some of the operators in the 1920's, has served as a fine campaign issue for more than a quarter of a century. Out of these emotion-packed tirades has developed a theory that the federal government has a primary responsibility to provide electric service to the American people. This theory is neither true in fact nor possible of accomplishment."

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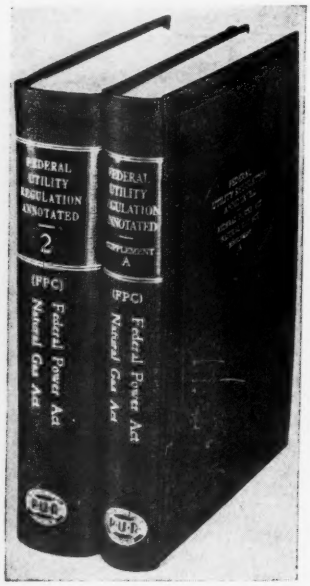
Federal Utility Regulation Annotated (FPC), Volume 2 With Supplement A

These volumes contain the only full annotation of the Federal Power Act and the Natural Gas Act, as administered by the Federal Power Commission.

Supplemental Volume A reports the activities of the Commission during the 10-year period subsequent to the publication of the original volume in 1943. All decisions in so-called "leading cases" have been made the subject of special editorial comment and interpretation.



Questions relating to the determination of the cost of projects, accounting, rate-base determinations, rates, service, granting of licenses, extent of the Commission's jurisdiction, definitions of what constitutes interstate commerce, return allowance (involving new views on cost of capital), the very controversial subject of cost allocation in the fixing of gas rates, and many other vital subjects are discussed. The decisions of the Commission and of the courts as well, in such important cases as the *Mississippi River Fuel Corporation case,* the *Alabama-Tennessee Natural Gas Company case* and the *Colorado Interstate Gas Company case* are explored at length in editors' notes.

This two-volume treatise, which has required expert editorial attention for an extended period, in order to classify the Commission's findings under each section of these Acts, is now available at $25. The volumes should be in the possession of all utility executives, attorneys, rate experts, accountants, valuation engineers, utility analysts and others having an interest in the activities, practices and procedures of the Federal Power Commission, and in commission regulation in general.

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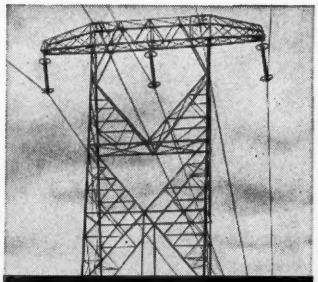

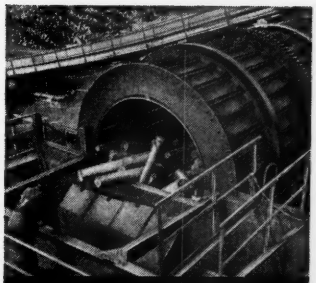

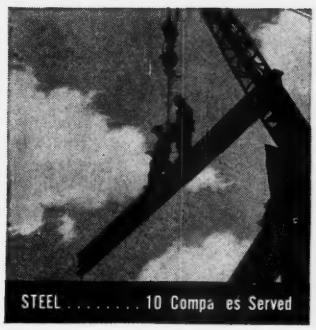

Our booklet—"The Inside Story of Outside Help"—tells the full story of Ebasco special services and how they may be of use to you. For a copy, without obligation, write or phone Ebasco Services Incorporated, Dept. W, Two Rector Street, New York 6, N. Y.

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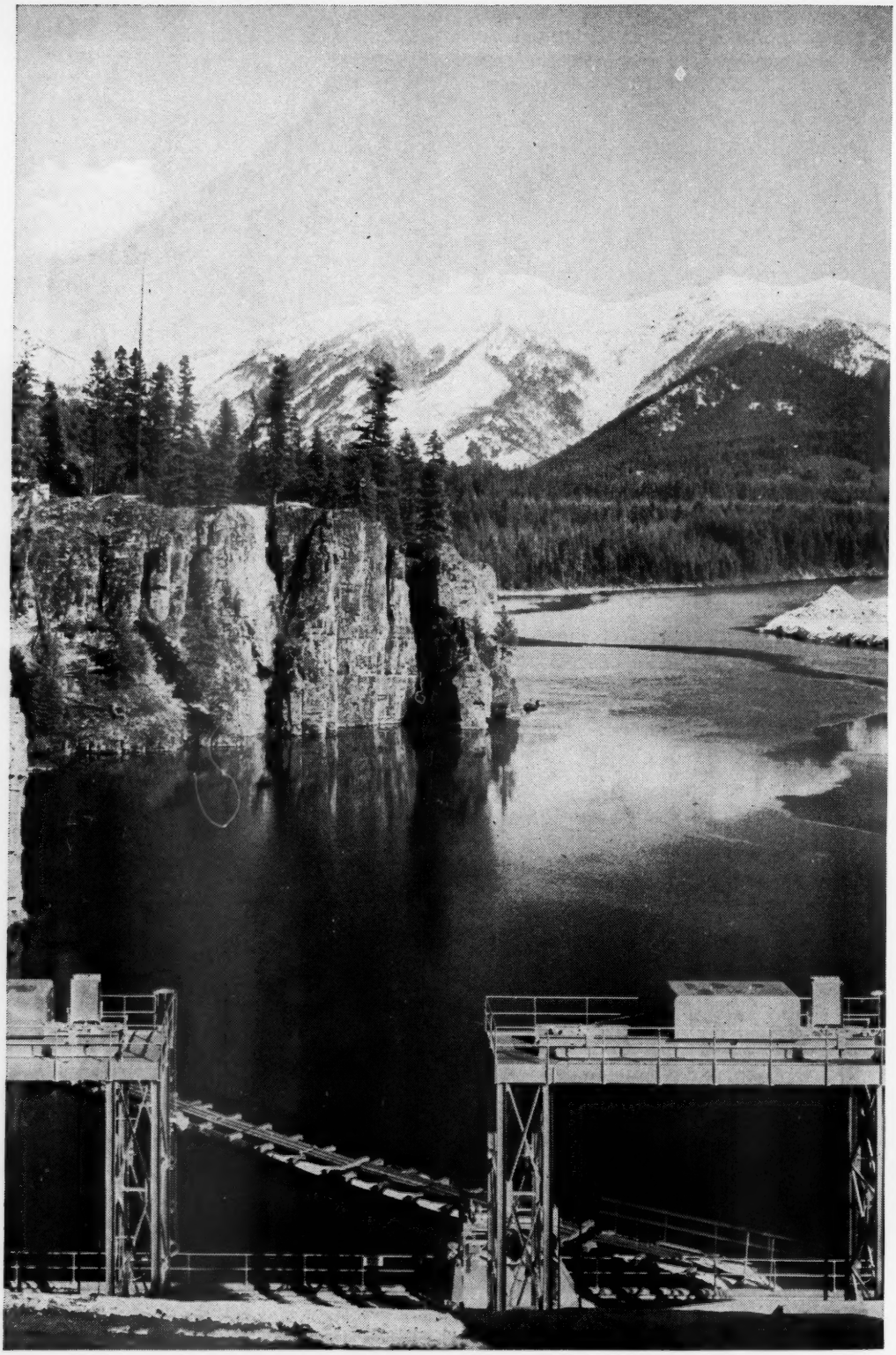
UTILITIES *A·l·m·a·n·a·c·k*

FEBRUARY

Thursday—4 *Edison Electric Institute, Home Service Committee, begins meeting, New York, N. Y.*	**Friday—5** *Southern Gas Association begins employee relations and accident prevention conference, El Paso, Tex.*	**Saturday—6** *Louisiana Telephone Association will hold annual convention, New Orleans, La. Feb. 24, 25.* ***Advance notice.***	**Sunday—7** *National Adequate Wiring Bureau begins annual national adequate wiring conference, Chicago, Ill. Feb. 25, 26.* ***Advance notice.***
Monday—8 *Electrical Equipment Representatives Association begins winter meeting, Los Angeles, Cal.*	**Tuesday—9** *Edison Electric Institute, Transmission and Distribution Committee, begins meeting, Cleveland, Ohio.*	**Wednesday—10** *American Water Works Association, Indiana Section, begins annual meeting, Indianapolis, Ind.*	**Thursday—11** *Pennsylvania Electric Association, Transmission and Distribution Committee, begins winter meeting, Baltimore, Md.*
Friday—12 *Public Utilities Advertising Association, Region 5, ends 2-day meeting, Atlanta, Ga.*	**Saturday—13** *Pennsylvania Electric Association, Electrical Equipment Committee, will hold winter meeting, Pittsburgh, Pa. Feb. 25, 26.* ***Advance notice.***	**Sunday—14** *Public Utilities Advertising Association, Region 1, will hold meeting, Montreal, Quebec, Canada. Feb 25, 26.* ***Advance notice.***	**Monday—15** *National Association of Purchasing Agents, Public Utility Buyers' Group, begins midwinter conference, Baltimore, Md.*
Tuesday—16 *American Water Works Association, New Jersey Section, begins winter luncheon meeting, Newark, N. J.*	**Wednesday—17** *American Concrete Pipe Association will hold annual convention, San Francisco, Cal. Feb. 25–27.* ***Advance notice.***	**Thursday—18** *Southwestern Association of Advertising Agencies begins annual convention, Houston, Tex.*	**Friday—19** *Controllers Institute of America begins southern conference, New Orleans, La.*



Scenic Backdrop for Cabinet Gorge Dam

Montana's Cabinet mountains lie eastward from the hydro installation of the Washington Water Power Company on the Clark Fork river.

Public Utilities
FORTNIGHTLY

VOL. 53, NO. 3 FEBRUARY 4, 1954

A New Look at Federal Power Policy

Increased attention has been directed toward the various statutory provisions governing the development and sale of power generated at multipurpose federal dams. Here is a well-qualified but entirely unofficial analysis of some aspects of this important subject.

BY CLARENCE A. DAVIS*

I HAVE been connected with the utility business a long time and have represented the utilities in my home state and sometimes in neighboring states for more years than I care to admit. During the first fifteen years of that representation I lived with the charge being constantly dinned into my ears that I was representing the "predatory power trust," milking the public for Wall Street bankers. During the last twelve years I have been representing a statewide public power agency which acquired all the local companies, so I have lately had equally dinned into my ears the accusation that I was representing a "crazy socialistic scheme" that was defrauding the taxpayers. And during all that time both groups have been equally loud in their accusations that the federal bureaucrats were trying to nationalize

*Solicitor, Department of the Interior. For additional personal note, see "Pages with the Editors."

electricity and so take over both of them. When the invitation came for me to take a look at this third alternative, I confess I wasn't able to resist.

No one knows better than I that no federal power policy can possibly meet the approval of all of these widely divergent schools of thought. If all the heat that has been generated by this question could only have been turned into energy, I am sure we could have deferred the installation of a substantial amount of generating capacity.

A great President once said something to the effect that we are confronted with a condition and not a theory. This is particularly descriptive of the Interior Department just now. The theories have been adopted by the Congress over a long period of years. The conditions have been established by the administration of those policies. My task is to see that administration and law are brought into harmony.

BEFORE we discuss present policy, may we for a moment re-examine the past policies laid down by the Congress; in other words, take a look at the law.

The first congressional directive regarding hydroelectric power, so far as it has come to my attention, was in the Reclamation Act of 1906.

You will remember that the first Reclamation Act was passed in the days of Theodore Roosevelt in the year 1902. It provided that all monies received from the sale and disposal of public lands in a group of sixteen western states should be set aside as a special fund in the Treasury to be known as the "Reclamation Fund" and was "to be used in the examination and survey for and construction and maintenance of irrigation works for the storage, diversion, and development of waters for the reclamation of arid and semiarid lands in the said states and territories. . . ."

From that day to this that sentence expresses the primary obligation of the Department of the Interior.

It was not until 1906 that the generation of electricity in connection with this storage of water was recognized by the Congress, and then it said that "whenever *a development of power is necessary for the irrigation of lands* under any project undertaken by the said Reclamation Act, *or an opportunity is afforded for the development of power under any such project,* the Secretary of the Interior is authorized *to lease* for a period not exceeding ten years, *giving preference to municipal purposes,* any surplus power or power privileges, and *the monies derived from such leases shall be covered into the Reclamation Fund and be placed to the credit of the project* from which such power is derived, provided that *no lease shall be made of such surplus power or power privilege as will impair the efficiency of the irrigation project.*"

HERE, for the first time, appears the word "preference" in connection with the sale of federal power, but note carefully that this early act gave preference to *"municipal purposes."* It will be noted that this act did not create a class of preference customers. It did create a preference for public uses.

This policy continued substantially the same until the passage of the Boulder Canyon Project Act in 1928, and that act authorized the Secretary of the Interior to construct the Boulder Canyon project, to sell the water therefrom for irrigation and

domestic uses and the generation of electric energy and *"delivery at the switchboard to states, municipal corporations, political subdivisions, and private corporations of electrical energy generated at said dam* upon charges that will provide revenue, which, in addition to other revenue accruing under the reclamation law, will, in his judgment, *cover all* expenses of operation and maintenance incurred by the United States. . . ."

Under the provisions of this act the Interior Department sells falling water to various public and private corporations at the Hoover dam site. Again, the primary obligation is the liquidation of the debt of the project.

The next major legislation of the Congress with reference to electric power was the passage of the Tennessee Valley Act, with which we are all so familiar that I shall not discuss it further. The Tennessee Valley Act, as you know, is a special act governing a special region, under a special authority. The authority is not under the control of the Department of the Interior in any respect whatever. The act is not of general applicability to the question of a national power policy which I expect to discuss.

THE Reclamation Project Act of 1939 provided that "Any sale of electric power or lease of power privileges made by the Secretary in connection with the operation of any project . . . shall be for such periods not to exceed forty years and at such rates as, in his judgment, *will produce power revenues at least sufficient to cover an appropriate share of the annual operation and maintenance cost, interest on an appropriate share of the construction investment at not less than 3 per cent per annum, and such other fixed charges as the Secretary deems proper; provided further that in said sales or leases preferences shall be given to municipalities and other public corporations or agencies . . .*" and to co-operatives and other nonprofit organizations financed by the Rural Electrification Act.

Note that here, following the policy of the Bonneville Act which had been passed two years previously, the preference is to the type of marketing organization; that is, "to municipalities and other public corporations or agencies . . ." rather than to "municipal purposes" as were described in the original reclamation laws.

IN the Bonneville Power Administration Act of 1937, the Interior Department, through the Bonneville Power Administrator, was directed to dispose of energy *"in order to encourage the widest possible use* of all electric energy that can be generated and marketed and to provide reasonable outlets therefor and *to prevent the monopolization thereof by limited groups";* and the Administrator was authorized, therefore, to construct such transmission lines and substations as might be advisable to accomplish these purposes. In the Bonneville Act the pref-

¶ "THE *federal government is not the dominating factor in the production of the power supply of the United States. It provides, at the present time, approximately 9,700,000 kilowatts of capacity, comprising only 11 per cent of the usable generating capacity of the United States."*

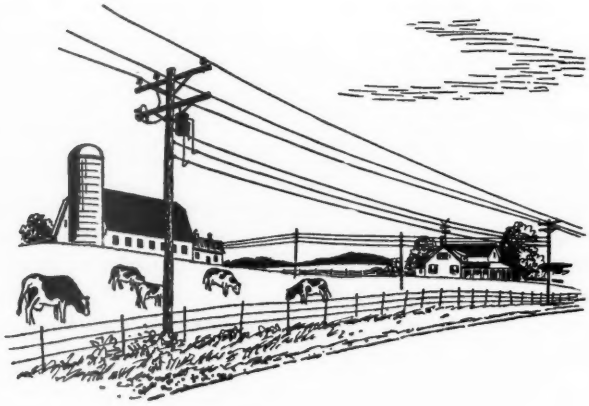
erence clause was extended still further to provide "that the Administrator *shall at all times, in disposing of electric energy generated* at said project, *give preference and priority to public bodies and co-operatives,*" and this policy was further followed by provisions that any contracts with private utility corporations must contain provisions for the cancellation of the contract or the withdrawal of portions of the power thereof upon 5-year notice whenever in the judgment of the Administrator the power is needed for the use of preference customers. This provision for the withdrawing of power from others for the benefit of preference customers is unique to the Bonneville Act. It is not a part of the general Reclamation laws; it is not a part of the Flood Control Act of 1944; and the fact that it has been omitted from these acts by subsequent actions of the Congress would indicate that it is not of general applicability.

HERE, in the Bonneville Act, for the first time the change was made from dedicating power generated at government projects to government or municipal "purposes" over to that of "giving preference and priority to public bodies and co-operatives," regardless of the use which they might make of the power. There is a vast deal of difference in these two conceptions. The original reclamation conception was apparently based upon the theory that the savings in power costs, if any, generated by projects constructed at taxpayers' expense should be passed back to the taxpayer by using the power for public purposes. The latter conception, expressed in the Bonneville Act and most subsequent acts, is a conception that the savings in power costs, if any, at projects built at government expense, should be passed on to those marketing agencies of a public nature, regardless of whether they use the power for public purposes or for resale purposes.

This language and similar language in other laws relating to water and power has made available in some areas very substantial blocks of hydroelectric energy which these public organizations have marketed to municipalities, to industries, and to private individuals, much of which is not used for the "public purposes" contemplated in the original 1906 Reclamation Act. In other respects the general policy laid down at Bonneville is not substantially different from that of the general reclamation laws.

IN the act of 1935 authorizing the construction of Grand Coulee, it is recited that the project is being built "for the purpose of controlling floods, improving navigation, regulating the flow of streams of the United States, providing for the storage and for the delivery of the stored waters thereof, for the reclamation of public lands and Indian reservations, and other beneficial uses, and *for the generation of electric energy as a means of financially aiding and assisting such undertaking.*" Later, in 1943, the operations at Grand Coulee were placed under the provisions of the Reclamation Project Act of 1939. There were no specific directives regarding electric power with reference to Grand Coulee, other than the general reclamation laws.

In the Fort Peck Act of 1938, the department was again directed to operate the project *"for the benefit of the general public and particularly of domestic and rural consumers* . . . disposing of electric



Power Policy Reorientation

". . . the country badly needs an accurate legal and factual appraisal of the federal power situation. It likewise needs a rezoning of the areas within which the federal government, the states, the municipalities, the co-operatives, and private industry shall operate. As I have said many times (as a good middle western states' righter), that government is apt to be best which is closest to the people that it serves. Electricity has become such a necessary part of and is so interwoven into the daily lives of all of us that the consciousness of the patron will itself regulate the conduct of all of us."

energy generated at such project, *giving preference and priority to public bodies and co-operatives."*

And in the Flood Control Act of 1944, the Secretary of the Interior is designated as the marketing agency of power generated at flood-control dams constructed by the Corps of Army Engineers, and in this case is given the following criteria:

He "shall transmit and *dispose of such power and energy in such manner* as to *encourage the most widespread use thereof at the lowest possible rates to consumers, consistent with sound business principles,* the rate schedules to become effective upon confirmation and approval by the Federal Power Commission." *Preference in the sale of such energy "shall be given to public bodies and co-operatives."*

THE Secretary is authorized "to construct or acquire only *such transmission lines and related facilities as may be necessary in order to* make the power and energy generated at such projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the federal government, public bodies, co-operatives, and privately owned companies."

THIS latter act has been the subject from time to time of comment by the committees of Congress. An example of these congressional statements is:

> The federal government should build transmission lines only when such agreements (wheeling) cannot be negotiated at comparable cost to consumers. The only exception to this policy should be with respect to main lines for the purpose of connecting federal hydroelectric plants where the benefits from the integration justify the expenditure.

These paraphrased excerpts are adequate to give a broad view of such statutory power policy as has been laid down by the Congress of the United States. It is clear that all of them are based primarily upon the disposal of hydroelectric energy which is generated incidentally in connection with the construction of irrigation works or of flood-control dams. Nowhere in any act of the Congress is there any general authorization for the federal government to go into or conduct a power business as such, although there have been a limited number of appropriations made for specific projects from time to time. In fact, in the famous Ashwander Case, the Supreme Court of the United States said "The government rightly conceded at the bar, in substance, that it was without constitutional authority to acquire or dispose of such energy except as it comes into being in the operation of works constructed in the exercise of some power delegated to the United States."

IT is equally clear that in all of these acts the primary obligation of the Secretary of the Interior is the welfare and prompt liquidation of the project from which the energy is created. This has been so from the beginning. It is interesting to note that in 1913, after the enactment by Congress of the fundamental policy for the disposal of energy generated at government projects, the then Attorney General of the United States said:

> Therefore, it is the first duty of the Secretary to consider the welfare of the project and the water users. The duty to prefer municipal purposes in the making of leases is incidental.

We have, therefore, the following statutory mandates:

One, to dispose of federally produced electricity primarily for the welfare of the project and the water users and the liquidation of the project.

Two, to dispose of such energy by the most widespread distribution to the largest number of domestic and rural users.

Three, to give preference in the sale of energy to municipalities, co-operatives, and public organizations.

We may summarize our duty, therefore, as being that of selling a surplus government product to benefit the largest possible number of people, giving preference to public agencies, to help recoup a government investment.

THESE criteria are obviously subject to some administrative discretion in their application. Personally, I believe that what has been done in some cases is only distantly related to the rather clear criteria established by the Congress. There has been far too much politics and far too little arithmetic in the whole affair from the beginning.

One of the great problems arises from the fact that ardent enthusiasts for public

power so frequently overlook the fact that the federal government has never been authorized to engage in the power business as such. Legally, our position comes down to this: Congress has said to us, "You are *not* authorized to go jump in swimming in this big power pool, despite the allure of the swimming hole and the other kids on the bank, but if you happen to be plowing some land or cutting a tree along the edge and fall in (while you are supposed to be surprised to find yourself wet), there is no objection to your taking a little swim since you are already in." It is not much wonder that there has been some plowing pretty close to the edge of the water.

Equally ardent opponents of the "government in business" have frequently insisted that the department ignore the obligations to sell power for the benefit of the greatest number of domestic and rural consumers and (other things being equal) to give preference to municipalities and public agencies. What should be the position of the federal government in the present power picture?

LET'S look at a little history. The Department of the Interior was created over one hundred years ago (1849, I believe), and from that time to this has been largely charged with the responsibility of developing and conserving the public domain and the natural resources of the nation. Throughout the years it has been responsible for the disposal and management of the public lands. It has the responsibility for mines and mineral conservation and management; it has the responsibility for the management of Indian affairs, including vast real estate holdings of Indian tribes and of mineral and water resources of Indian lands; it has the responsibility for the development and care of our national parks, and its fish and wild life division protect our fish, game, and birds. It is the department charged with reclaiming by irrigation millions of acres of western land, providing homes and opportunity for our people, and improving the economic life of the people of vast areas.

THE care of these fields of activity as directed by Congress is our job. We do not expect to neglect any part of it. All these things must be carried on for the ultimate public welfare so that fifty years or one hundred years from now the bounties and resources of nature will still be available to our people. The public will never permit anything less than the full development of all the natural resources of a region; they shouldn't. But this is not to say that other people, as well as the federal government, cannot conserve and develop lands. Other people can build beautiful parks. Other people can stock streams and protect wild life. Their participation should be welcomed. It is a task great enough for all.

¶ "A GREAT *President once said something to the effect that we are confronted with a condition and not a theory. This is particularly descriptive of the Interior Department just now. The theories have been adopted by the Congress over a long period of years. The conditions have been established by the administration of those policies.*"

Now, applying this principle to the field of hydroelectric power, it must be remembered that many of these proposed present-day projects are of such financial magnitude that they are beyond the capacity to finance of any company or agency except the federal government. Many of them are multipurpose projects, interstate in character, presenting potentialities for irrigation, water storage, flood control, hydroelectric power, the preservation of fish and wild life, and the creation of recreational areas. Some of these functions primarily fall in the federal zone. These projects logically should be federally built. However, it should be remembered that the federal government, in so engaging in these projects, is not assuming the primary responsibility for supplying the power needs of an area. The primary responsibility for supplying the power needs of any area must rest with the people locally. The National Reclamation Association, a nonpartisan, nonpolitical organization of those farmers and irrigators and others who actually benefit from reclamation projects, has said in its resolutions:

> It is not the primary obligation of the federal government to fill the power requirements of any community or region. That should be left primarily to local enterprise—state, municipal, or private. . . . * * * *
>
> Local enterprise should not merely be encouraged but, as against the federal government and except where there are specific reservations by Congress, should have priority to make hydroelectric power development under proper governmental regulation and control.

Whether we are in accord with all of that statement, at least it should be made clear that the Department of the Interior does not assume that it has the exclusive right or responsibility for the construction of all the hydroelectric projects in the United States, and it will not oppose the construction of these facilities by local interests, either public or private, which are willing and able to undertake them under appropriate licenses from the Federal Power Commission, so long as they are consonant with the best development of the natural resources of the region.

In that connection, attention must be directed to some other fundamental facts. The federal government is not the dominating factor in the production of the power supply of the United States. It provides, at the present time, approximately 9,700,000 kilowatts of capacity, comprising only 11 per cent of the usable generating capacity of the United States. For the federal government to undertake to assume the rôle of a primary power supplier, even in a limited area, confronts the government with budgets, not enumerated in thousands or even in millions, but actually estimated in billions of dollars. Under the present conditions of taxation and budgetary requirements, the assumption by the federal government of unlimited billions of dollars for the production of electric power is, in itself, a reason for the careful examination of federal commitments in those cases in which state and local public agencies or private capital can assume the financial obligations involved.

What is to be the new policy with reference to the construction of transmission lines? Part of that policy I have already mentioned as in the House committee report. The curtailment of appropriations by

Interior De-emphasizes Rate Regulating Rôle

"THERE are many municipalities and other fine public enterprises engaged in the sale of electric energy, and it is not to be presumed that those public enterprises are not just as solicitous for the welfare of their patrons, the ultimate consumers, as is the Department of the Interior. Likewise, there are many fine regulatory bodies that are experts in the field of utility rate regulation, and it is not necessarily to be presumed, therefore, that the Department of the Interior should in all cases constitute itself as a superregulatory body of retail rates."

the Congress speaks even more effectively.

Under all these circumstances, the department has determined that it will construct and operate transmission lines that are economically feasible and necessary to interconnect federally owned plants, and that it will construct transmission lines from projects to major load centers within an economically feasible marketing area, unless other public or private agencies have or will provide the necessary facilities upon reasonable terms so that energy may be delivered to local distributing groups, either public or private, on terms no less advantageous to the government than if government lines were constructed.

THIS brings us to the question of rates. I already have pointed out that the primary obligation of the Secretary is to dispose of hydroelectric energy at advantageous rates for the benefit of the reclamation project and that he is clearly bound by the mandate of the Congress to a schedule of rates which will not only be helpful in the liquidation of the irrigation project, but which will amortize the investment in power facilities in a reasonable period of years together with 3 per cent interest on such investment.

RATES constitute, as those in the utility business well know, one of the major problems. Government costs, as have your costs, have more than doubled during the last few years. There is no magic in government, and there is no magic in arithmetic. It is, therefore, obvious that in or-

der to liquidate the costs of projects and the power facilities installed therein, the rate structures thereof are inevitably affected accordingly.

The allocation of costs between the various features of a multipurpose project is also an extremely difficult problem. It is no secret, I am sure, that the Congress has called for reports from time to time from the Corps of Engineers and from the Bureau of Reclamation with reference to their judgment as to the fair allocation of costs between flood control, navigation, reclamation, fish and wild life, and recreation development; and it is no secret, likewise, that the variation in their allocation of costs between these federal agencies is very great indeed, frequently amounting to a difference of as great as 100 per cent. If the entire problem is to be approached realistically, formulae should be devised by which the cost base which the Department of the Interior is directed to recover from the sale of hydroelectric energy can be determined with reasonable accuracy prior to the construction of the project, or at least prior to the promulgation of a schedule of rates. It has always seemed to me a little peculiar that the amount of recoverable costs set forth in the reports to the Congress when money is sought to build these projects is not carried through as the amount of recoverable costs for rate-making purposes, once the appropriation has been secured.

THE preference clause is another clause which has occasioned a great deal of controversy in its administration. My views as to its interpretation have not yet been stated to any degree of nicety, but preliminarily, it seems to me that the word "preference" must imply a choice between reasonably comparable alternatives, and that preference does not mean exclusion of alternatives before exercising the preference.

There is one aspect of the preference clause on which the department has already made a decision. Can large industrial users, by the device of making a contract with a preference customer, draw away into industrial uses blocks of power that are otherwise needed for the use of domestic and rural consumers? It has seemed to me that to so permit, without some limitation, defeats the clear mandate of Congress that federally produced power shall be "for the benefit of the general public and particularly of domestic and rural users," and that contracts should be so drawn that in the event of shortage, the general public shall not suffer for the benefit of the few.

There are a half-dozen more extremely complicated problems that arise out of this repeated use by the Congress of the words "preference shall be given to municipalities, public agencies, and co-operatives." When must that preference be exercised? At the time the project is completed and the power becomes available? Or should energy be held in reserve for the benefit of preference customers not yet ready to take it? Or for preference customers not even in existence but hopefully looked for?

AGAIN speaking in generalities, if liquidation of the project is the primary obligation of the government, then if reserve blocks of power are to be withheld for future use, should they not be paid for on a basis of reserve capacities?

In this connection there is one of the policies enunciated several years ago by a previous administration which is omitted

from the present policy. That is the statement:

> Active assistance from the very beginning of the planning and authorization of a project shall be given to the organization of public agencies and cooperatives for the distribution of power in each project area. The statutory objectives are not attained by merely waiting for a preferred customer to come forward and offer to purchase power.

It has always seemed to me that order amounted to a directive to federal officials to interfere in the local government of an area. I have always felt that the people of an area were perfectly competent to determine for themselves the medium through which they desire to receive electric service. The laws of substantially all the states now provide an open road toward the formation of public agencies and co-operatives for the distribution of electric power if the people of a municipality or an area desire to follow that road. One of the great problems of the present time is the overlapping, duplication, and intermingling of state, local, and federal functions. In fact, this problem has grown so great that recently the President of the United States set up a commission for the expressed purpose of more accurately delineating proper fields of federal, state, and local activity, not only with relation to taxation, but to other overlapping functions as well. The directive which I have quoted seems to be directly contrary to the proper separation of functions between state and federal governments.

THE other point which has been so highly controversial in this subject for many years is the extent to which the federal government, through the Department of the Interior, should attempt to exercise a control over retail rate schedules of its customers.

There is nothing in the Reclamation acts or in the Flood Control acts which specifically authorizes the Department of the Interior to exercise any authority in connection with the resale of the electricity which it is required to sell at wholesale. In the Bonneville Act there is a specific provision to the effect that "contracts entered into with any utility engaged in the sale of electric energy to the general public shall contain such terms and conditions, including among other things stipulations concerning resale and resale rates by any such utility, *as the Administrator may deem necessary, desirable, or appropriate* to effectuate the purpose of this chapter and *to insure that the resale by such utility to the ultimate consumer shall be* at rates which are reasonable *and nondiscriminatory.*"

This provision is applicable only to Bonneville. The broad assertion of the right of the department to regulate resale rates can result in unwarranted federal authority. There may be cases where it might need to be exercised. It was not the intention of the Congress, as I would see it, that this federal product should be sold in such a manner as to permit any organization, public or private, to make an unreasonable profit on the resale. The power should be sold so that all of the profits, beyond a reasonable amount, should be received by the federal government and applied to the liquidation of the project.

FURTHERMORE, the Department of the Interior is not a regulatory agency. It is not to be presumed that all wisdom re-

poses in the District of Columbia. There are many municipalities and other fine public enterprises engaged in the sale of electric energy, and it is not to be presumed that those public enterprises are not just as solicitous for the welfare of their patrons, the ultimate consumers, as is the Department of the Interior. Likewise, there are many fine regulatory bodies that are experts in the field of utility rate regulation, and it is not necessarily to be presumed, therefore, that the Department of the Interior should in all cases constitute itself as a superregulatory body of retail rates. So long as the ultimate consumer of federally produced power is receiving that energy at reasonable and nondiscriminatory rates, to quote the law, which pass on to him such savings as may arise by reason of the federal investment, there would seem little reason for the exercise of supervisory control.

WHAT I have been indicating throughout this discussion is that, in my opinion, the country badly needs an accurate legal and factual appraisal of the federal power situation. It likewise needs a rezoning of the areas within which the federal government, the states, the municipalities, the co-operatives, and private industry shall operate.

As I have said many times (as a good middle western states' righter), that government is apt to be best which is closest to the people that it serves. Electricity has become such a necessary part of and is so interwoven into the daily lives of all of us that the consciousness of the patron will itself regulate the conduct of all of us.

THE people of an area, by and large, it seems to me, are perfectly competent to determine the policy and the needs of their area. As a helping hand on projects beyond local capacity, the federal government may perform a great national service. No one should deprecate the potential power and value of the federal government's participation in some of these great projects on which great industry contributing to national defense and other vital national requirements may depend. On the other hand, no one should deprecate the inherent capability of the states and local communities to determine their own policies and conduct their own affairs.

This great electric industry, which has grown to such tremendous proportions in a short space of seventy years, is a dynamic and changing enterprise. Its limits are beyond the vision of any of us. It goes through a cycle of development and change, and just at a time when it seems ready to level off and stabilize itself, some new invention, some new discovery, some new adaptation, opens up great vistas of future development, lifting the industry to higher and higher levels of service. It has a record of consistent growth and tremendous success. It is one of the great examples of American enterprise. That same enterprise and ingenuity under this system of free government will meet whatever demands may be made of it. We are only part way down our course as yet.

If, by this and other similar discussions, I can bring this problem down to the point where it is approached with less heat and more light, with less antagonism and more arithmetic, I shall feel that I have performed a useful public service.

Would a TV Congress Improve Democracy?

During the past couple of years a controversy has arisen over the proposal to put the sessions of Congress and committee hearings on the air and television broadcasts. This author thinks that it would improve public understanding of legislative issues, including public utility matters, which have suffered in the past from lack of public interest and accurate information.

By FRANK McNAUGHTON*

THE American people, over the past two years, have been fed a steady diet of arguments by prominent people, including even bar association spokesmen, against the proposal to televise congressional committee investigations and congressional proceedings, generally. Thurman Arnold, a distinguished attorney, has written ably against subjecting witnesses to television. The American Bar Association has "resolved" against it, as have its subsidiary groups. And the House and Senate have adamantly refused to allow their proceedings to be opened, via television, to all the people.

I happen to believe this is wrong.

Television, itself, is a quasi public utility, in that it obtains its channels and its station permits from the Federal Communications Commission. It is required to conform to certain established standards, is debarred from monopolistic practice, and its programs must be duly recorded and filed for consideration by the governing authorities.

And so, although it charges no "rate" to the public audience using its service, television has a public duty. It is a duty and a responsibility which must be carefully regulated no less than telephonic communications, telegraph, or power development and transmission.

*Member, Senator Douglas' (Democrat, Illinois) administrative research staff. For additional personal note, see "Pages with the Editors."

In fact, as the most powerful medium of communication, subject to federal regulation, the duties and responsibilities of television to some extent outweigh those of other conventional public utilities which charge for their services to the public.

Its function in part is entertainment.

But in the order of importance, its greatest function and its greatest responsibility is educational—the education of all the people, in the interests of good government, principles of freedom, public responsibility, patriotism, and all other qualities that combine to make an enlightened electorate capable of deciding its own destiny.

The parallel might be drawn between lighting a man's house with a supply of electricity, and lighting up (or darkening) his mind by the qualitative content of television programs he receives.

Public utilities have good historical reason to give careful thought to any proposal for disseminating accurate information to the public about bills affecting utilities. We need only go back to the days of the early New Deal and the stormy sessions in Congress over the enactment of the Public Utility Holding Company Act, and allied "reform" legislation. It has been nearly two decades since a U. S. Senator from Alabama (now in the Supreme Court) broke wide open a scandal involving alleged "fake telegrams" to put organized pressure on Congress.

In the uproar that followed these disclosures, the holding company bill was passed in an atmosphere of hysterical charges and recriminations about who was trying to pull a fast one on whom—which tended to obscure the merits of the important piece of legislation. Certainly the Man on the Street got that impression, and correspondingly little information about what the holding company bill was really for or against. One wonders what might have happened if some of the thoughtful and cogent arguments, pro and con, on the floor of the House of Representatives could have been "taped for television." Certainly a good many people would have gotten a clearer idea of what all the shouting was about.

The holding company bill, which has become a lasting part of our statutory structure, is only a more dramatic example of the possibilities for a better public education, via television, on legislation dealing with special but important interests vitally affecting the public welfare. Let us consider the arguments which were made then, and are still made, in defense of lobbying and propaganda activity. Important industrial leadership—including public utilities—claims with good reason that it needs some form of special pleading as a defense against unfair political attack, distorting the public mind. But the nuances of public utility operations and economics, it says, are so complicated and uninteresting that the Man on the Street has no appetite for learning about them. Hence, the need for direct contact with Congress as a matter of enlightened self-defense. Or, to put it another way, the industrial lobbyist fills the rôle of a necessary advocate—interpreter to explain the difficult legislative issues to Congress and government officials. Public information has taken the form of slanted publicity, commonly called propaganda.

The day has long passed when the basic need for measures of this sort is questioned. All kinds of specialized interests

are now engaged in activity along these lines: labor unions and farmers, as well as important industries, foreign governments, religious and educational institutions, and the proverbial "doctors, lawyers, and Indian chiefs."

But the question naturally arises whether the very need for a broader base of understanding of such complicated issues could be improved by utilizing the miracle media of mass television communication. This suggestion immediately raises another question about program interest. Who would look at a television program devoted to elaborate and legalistic arguments about the FPC jurisdiction over natural gas producers? The question answers itself. Nobody would—in such a dull form. But the very availability of television presentation would step up the competition between conflicting interests so as to produce truly interesting and readily understandable arguments on both sides. In the process, Congress, as well as the public, would be better enlightened. And as Count de Toqueville observed over a century ago, more enlightenment means a better democracy. There are numerous visual aids, charts, exhibits, props, cartoons, et cetera, which can be used to dramatize technical discussions. If the specialists can do it for an explanation of nuclear fission, they could do it for the Kerr Bill or something like it.

The situation challenges, in a way, the good faith of the proponents as well as the opponents of congressional legislation. If they have a just cause they will welcome public exposition of that cause. Their fate will no longer be decided by a turn of the card in closed committee sessions. Arbitrary or capricious handling of vital legislation can be kept at a minimum because it would be subject to pitiless exposure in cases of notorious abuse.

This does not suggest that television will ever do away with lobbies or propaganda. But it does offer a valuable instrument to those important interests who have so often complained (and have suffered) from a lack of mass public understanding simply because the issues involved are subject to political distortion, or because of their complexity.

This writer believes that if the sessions of the United Nations are of interest to the American voter and taxpayer, so are the legislative proceedings of his Senators and his Congressmen. No voice has yet been raised that televising the United Nations has jeopardized international relations or compromised American diplomacy. In fact, quite the reverse is the case. The sustained television filibuster and delaying tactics of the Soviet delegate, Jacob Malik, early in 1950, did more to solidify and strengthen American anti-Communist sentiment than many, many editorials and magazine articles might have accomplished.

¶ "The *holding company bill, which has become a lasting part of our statutory structure, is only a more dramatic example of the possibilities for a better public education, via television, on legislation dealing with special but important interests vitally affecting the public welfare.*"

Let's look at this proposition of televising Congress for a moment. Some thoughtful persons, who are qualified to speak, such as former Senators Pepper of Florida and Benton of Connecticut, believe it would have a salutary effect on Congress and would greatly assist in educating the public on national affairs. Why does Congress refuse to be televised? First, because of a fear that members would be caught in ungainly, undignified positions, reading newspapers, slouched in their seats, paying no attention to proceedings. Second, because of a fear that the electorate would, individually, search for its own member or members, and make a political note of absences (which, as is well known, might be for a very good reason of attending to public business) for reprisals at the next election. Third, because the public would be alert to catch "boners" in debate, before they could be corrected for the official record.

I don't believe any of these fears "hold water." First, it could be explained that the absentees probably were performing errands for constituents (and that's 90 per cent of the job now), answering mail, or in committee hearings. On the other points, I believe the taxpayer has enough stake in this government to have a right to know if his Congressman or Senator is lackadaisical in his duties, or inept in debate.

TELEVISION—whether we and the Senators like it or not—is here to stay. More than that, it is probably the most powerful medium of public education and information, once put to that use. And it can be, once Congress relents. It has its place equal to newsreels, AM radio, and news photographs. When the President addresses the Congress, the joint session is always televised. Such is the case frequently when distinguished foreign visitors—say Winston Churchill—delivers an address. If congressional chamber television is undesirable, why let the bars down then? Why not just make the ban all inclusive, without exception?

It may be answered that the President's message is of importance to all the people, an instrument of the people, hence the exception. Is it any more so than the proceedings of the elected representatives of the people? I leave it to the lawyers to answer that one.

IN the Kefauver crime hearings—which this writer narrated as commentator for *Time* magazine—I can recall *no* instance where a witness' constitutional rights were either prejudiced or destroyed by his having been put on television. Frank Costello objected to having his face televised. I believe that the nervous twisting of his hands, the tearing up of match books, picking at his fingernails, all televised, told the American public volumes about his character.

As a matter of fact, gangsters, Communists, racketeers—are generally not terrified by a television camera. They face the newsreels, news photographers, and radio without flinching and often quite cheerfully.

They simply do not want the American public to see and form an opinion of their squirming and sweating to get out from under cross-examination. Televising of the Crime Committee hearings did an enormous public service in helping to wake up the American public to the extent and ramifications of organized crime. *Time* magazine received over 115,000 letters as the result of a 15-day telecast (March 12 to

Is the Public Ignorant?

"THE argument against television boils down to a patronizing attitude that the public isn't smart enough to be allowed to see what is going on, that it cannot make fair decisions after seeing, that it has no real rightful interest in watching its Congress at work, and that it is incapable of forming correct opinions. This amounts, in about so many words, to the argument that the public is just too ignorant to watch and understand Congress. Or its committees. Or the witnesses."

March 27, 1950), 90 per cent of them favorable, an equal percentage indignant at the revelations. Perhaps some of the hearings were ill-timed, not well planned; but this much is certain, they brought crime to the attention of the people.

THE result has been a large number of state and federal laws to suppress (with public support) exactly what the television audience saw and deeply resented. This is not the place to reproduce any of those letters, but some were heart-rending. One in particular, from an old lady whose husband had been lured into a Kentucky gaming house and there lost everything, was particularly touching. The presence of a television camera should not excuse a witness from testifying before a congressional investigation. Any more than the presence of newspaper reporters and photographers, radio, and newsreels. Take the case of the gangsters: A good many of them have looked down the barrel of a .45 revolver. Why should a camera lens hold any real true terrors for them? It's an excuse, no more. Nor is television any more an "invasion" of constitutional rights than any other type of camera, or, indeed, the investigation itself.

Why should Congress permit a witness' testimony to be tape recorded and played

on radio, yet refuse to admit television?

We must concede, of course, the right of cross-examining accusing witnesses. We must concede the right to claim constitutional immunity under the Fifth Amendment unless amended by pending immunity legislation. Witnesses should have the right fully to answer and make explanations, under a fair committee chairman. Aside from such protection it would seem that no man's rights are prejudiced by a wide audience—any more than before a small audience. That was the very concept of "public trial" which goes back to the British Common Law and beyond.

Furthermore, we have never seen Frank Costello, Frank Ericson, Joe Adonis, Virginia Hill, or, say, the ten Hollywood Communists, "terrified" and scared out of their wits before a committee, no matter how many were present. They are a pretty cold, hard bunch. It's stretching imagination pretty far to believe that television would set them in unreasoning fear.

WHAT then is the real basis for the argument in favor of restricting the hearings so far as possible to the fewest number? So that only a few will really witness and understand the proceedings? So that things can be done at poorly attended committee meetings which the public would not stand for if it could see them? Taking for example the specialized case of utility legislation can we say that, under such a system, we have gotten better laws, a fairer presentation of both sides, and more balanced judgment from Congress, than would have prevailed under the spotlighted inspection of the TV camera? Is not the present situation made to order for distortion and slanting by political razzle-dazzle? Certainly, the TV camera can spot the phony and the ham actor a lot quicker than secondhand news coverage.

If the Congress itself would adopt a code of fair committee procedure, and allow full answers by witnesses, there are few arguments which could stand against the public right to witness the proceedings by television, and to know what is going on.

The stand against televising Congress itself is even weaker.

It is said it would "lower the dignity" of Congress. There is nothing to prevent Congress raising its dignity to meet the requirements of television. Think how long a filibuster would last if it could be televised? Or how long the windbags of Congress could hold sway against an avalanche of mail saying "for the Lord's sake, *shut up.*" The "in Tuesday, out Wednesday" club (*i.e.,* Congressmen who spend one day a week in Washington, while drawing pay for full-time service) would have to be on the job. Debate would probably be improved; it is one thing to be polite before ninety-six members, quite another to be polite before 10,000,000. Legislation, under pressure of public opinion, would move with more reasonable dispatch.

THE argument against television boils down to a patronizing attitude that the public isn't smart enough to be allowed to see what is going on, that it cannot make fair decisions after seeing, that it has no real rightful interest in watching its Congress at work, and that it is incapable of forming correct opinions. This amounts, in about so many words, to the argument that the public is just too ignorant to watch and understand Congress. Or its committees. Or the witnesses.

This writer has had considerable personal experience, on such TV shows as "Meet the Press" and the Crime Committee hearings. I have found that any unfairness is indelibly registered on television, and evokes a tremendous criticism. So does anger, sarcasm, nagging, and all the other vices of behavior.

By way of constructive conclusion, how about this for a solution? Congress for its own benefit should run a "pilot program" of televising its procedure. In a way, this is being done now. The Washington Exclusive (Dumont network) program (which I happened to moderate) reproduced Senate debate by six present and former Senators on public issues. The response was good, and 95 per cent favorable. Most correspondents complained that it was not one full hour, instead of thirty minutes. "Meet the Press," where public figures are grilled by newsmen, testifies to the success of such programs, for it is tops on the air.

Recently I have spoken to universities and colleges in some 30 states. There is a magnificent interest among the students, and particularly the students of politics and government, in the Senate and House proceedings. Many of these colleges are setting up educational television. They need material. Most students have not the means to travel to Washington and there study the living operations of their statesmen. As a "pilot program," why should not Congress make its proceedings available to educational television, either in live telecasts (if technically possible), or in kinescoped programs, and thus test the reactions?

One thing is certain: Television ultimately will break through these roadblocks, if it is to fulfill completely its capacity as an instrument of public education.

OBVIOUSLY, there is no place for television in grand juries or formal court proceedings. Grand jury deliberations at the first must be kept secret. Court proceedings cannot be subject to outside pressure. But there can be no valid reason why the American citizen is not permitted to look in on the proceedings of his own public servants in the legislative process. No network would carry all the proceedings every day. But any network, for the public good, should be permitted to carry debate on such important matters as treaties, Air Force budgets, national defense, atom defenses, and matters of vital concern to the public, including legislation affecting business generally and public utilities.

"WE know now that men's greeds and grievances are not necessarily self-correcting. But I also believe that the profit system has proven itself too valuable a social tool to justify being discarded because of some abuse. The course to follow, as I see it, does not lie in a concept of do-nothing government. Nor does it lie in a swing to the other extreme of having the government regulate everything. Economic power should be sufficiently dispersed to permit the maximum freedom of activity, with the government kept separate over all."

—BERNARD M. BARUCH,
Statesman.

Responsibilities of a Regulatory Commissioner

It is not often that a regulatory commissioner takes time from his preoccupation with matters before his commission to tell about his own job as it appears to him.

By The Honorable JOHN C. HAMMER*
MEMBER, TENNESSEE RAILROAD AND PUBLIC UTILITIES COMMISSION

First, let me express the hope that I will be excused for the personal trend of this paper but I had to learn by experience what others may know before taking on the duties of a commissioner.

In 1939 I was appointed to the staff of the railroad and public utilities commission of the state of Tennessee. I must admit that my appointment was to a certain extent political for I happened to be a friend of the governor but confess that I knew very little about the commission or its work. I set about, however, trying to understand the duties and responsibilities of the commission and after four years of staff work the same governor promoted me to membership on the commission, one of its elected members having taken a military leave of absence. Early in 1943 I received an interim appointment as commissioner, served out the remainder of the incumbent's term, and have been elected twice by the people of the state.

During my tenure of office I have tried diligently to comprehend and put into practice what I conceive to be sound regulatory practices. I have long since learned that a regulatory commission should be absolutely free of political manipulations. This is particularly true in the matter of rate making. Certainly, political considerations should not enter into the determination of rates which consumers must pay

*For additional personal note, see "Pages with the Editors."

for utility services. My experience has also taught me that little political consideration need be given to the employment of staff members. What difference does it make whether a rate analyst is a Republican or Democrat or whether he voted for one candidate for governor or another, or actually whether he voted for one candidate for commissioner or another?

Fortunately, here in Tennessee our state commission has not been made the political football of any state administration. Since I became a commissioner the state has had four different governors and there has been very little interference on the part of any of them with the activities of the commission.

I HAVE also learned that contrary to what was once a popular idea a regulatory commission is not or should not be considered as simply a referee between the utilities on one hand and the public on the other. I have come to realize that the utility companies are an integral part of the public. In most instances what is best for the utilities is best for the public. When properly understood their interests are seldom in conflict. Regulatory commissions or individual members thereof certainly should not assume the rôle of public crusaders.

We have been prone to take our public services for granted. We get our water by turning on a highly polished faucet; our lights and heat are turned on and off by the flip of an ornamental switch; we talk to people, both far and near, by taking down a telephone receiver and dialing a number; gas is piped into our homes, offices, and plants from fields many miles away; we cruise along the highways in comfortable air-conditioned busses; we ride the rails in elaborately equipped suites; and we fly through the air with the speed of a winged bird.

Because of the very nature of these services it becomes necessary for them to be monopolized to a great extent and regulated. The monopoly feature is stronger with some utilities than with others but it is pretty well conceded by all responsible people that none of the public utilities can be subjected to the same degree of competition to which other businesses can, and while generally speaking "competition is the life of trade" competition can well hamper and eventually destroy such services.

THE operation of a utility business cannot be readily and easily compared with the operation of a clothing store, a grocery store, or an automobile business. Of course, food and clothes are essentials of life just as much as lights, water, and heat. The distinguishing difference is that you can buy food and clothes from shelves or counters while lights, water, and heat, especially in urban areas, are brought to us by pipes and wires and we can turn them on and off at will.

It must be remembered that a utility company is engaged in public service but when it dedicates its properties to public use it is also concerned, and rightly so, with earning a profit. It must also be remembered that the regulated utility companies have taken on the responsibilities of citizenship and pay into the tills of the governments, federal, state, and local, large amounts of money in the form of taxes and fees.

During the unsettled economic period through which we have been passing in recent years, with constant wage and price

increases along with increases in the prices of the essentials of life, it is indeed no easy task to know just when rate increases are justified or to determine with exactness when fair return ends and confiscation begins.

IT is the duty and responsibility of a regulatory commission to recognize all of these things and to decide every issue fairly and equitably upon the law and the facts and with as much dispatch as the circumstances will permit. Undue delay in rendering decisions is a bad practice and its results are bad for the utilities and the subscribers to their services as well as the commission itself. One who fears public opinion will have a hard time doing his duty on a public service commission because the very nature of his duties often requires him, for the public's own good, to do what is seemingly unpopular; but one's consecration to duty is usually rewarded when his actions are fully understood.

"No Time to Coast"

"EFFORTS *of those interested in arousing the people of our country to the danger of losing our American Way of Life appear to have achieved some success. At least it can be said that schemes proposed by the socialistic planners to put the government into more business are being given a careful second look by our legislators, and the government has proposed getting out of some phases of competition with its citizens.*

"In the utility field the government has withdrawn its opposition to the hydroelectric development of the Snake river in Idaho by a privately owned power company and the House of Representatives has passed a bill to permit five electric power companies to develop power on the Niagara river. Some political elements are bitterly opposed to allowing the power companies to go ahead with these river developments and continue their clamor for the government to build the projects. The fight is a long way from finished but if the power companies are finally successful, billions of the taxpayers' money will be saved and the projects will be paying substantial taxes into the U. S. Treasury.

"Now the socialistic planners are raising the cry of 'giveaway' of our natural resources. Coal, water, oil, lumber, land—are all natural resources and their development by private enterprise is no 'giveaway'; it is the time-tested system that made our country great. Unnecessary development of natural resources by government means huge initial outlays of money and continuing subsidies from the taxpayers for the benefit of some favored groups or areas.

"If we want to put an end to government in business and unnecessary federal spending, we can't rest on our past efforts. Now and in the future we will have to keep plugging for the principles we believe in. The Socialist planners will be plugging their beliefs too. There is no time for coasting. Let your Senators and Representatives in Congress know what you want and give them a word of encouragement when they uphold our fundamental American principles."

—EDITORIAL STATEMENT,
"Folks," published by Consolidated Gas, Electric Light & Power Company of Baltimore.

Florida's Rate Adjustment Plan

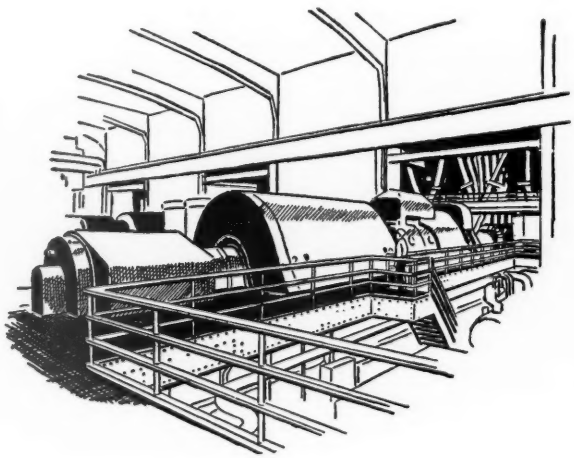
The question of escalator clauses is always of interest to public utility companies. Perhaps one state where it has become a paramount consideration is the state of Florida. There the regulatory commission recently authorized fuel adjustments, statewide, to be applied to residential customers' rates.

By C. E. WRIGHT*

Although fuel escalator clauses have been in common use for some years in the wholesale rates for electricity and gas, Florida may well be the first state where the self-starting application of both fuel and commodity adjustments in rates to the retail consumer have been authorized by a regulatory commission. This pioneering development in electric rate regulation was authorized by the Florida Railroad and Public Utilities Commission on July 23, 1953, since which time monthly automatic adjustments on all billings to the domestic and commercial classes of consumers have been applied by the Florida Power Corporation and the Florida Power & Light Company. The Florida commission, effective April 14, 1952, had given tacit approval of the use of adjustment clauses in the retail rate structure by authorizing their use in Pinellas county.

The case leading up to the order issued last July came before the Florida commission on December 29, 1952, on application of the Florida Power Corporation, which contended, among other things, that absence of an approved formula by which it could recover at least part of the advance in cost of service would affect its ability to conduct a sound financing program for the expansion of its facilities, made necessary by the rapid growth of electrical load and population in its territory.

*Professional writer, resident in Jacksonville, Florida. For additional personal note, see "Pages with the Editors."



PRIOR to the adoption of statewide utility regulation by the Florida state legislature in 1951 (Chapter 366, Florida Statutes 1951), the Florida Power Corporation had put into effect escalator clauses applying to rates for service to the residential and commercial consumer. The formula first used by the Florida Power Corporation, effective January 1, 1948, was a single adjustment provision based on the price of Bunker "C" fuel oil as established by published quotation f. o. b. refiners' storage tanks at Port Tampa, Florida. This escalator clause provided that for each one per cent increase in the price of fuel oil above $2 per barrel there would be added to the base bill an adjustment of one-half of one per cent for the first 20 per cent of increase and one-third of one per cent for each per cent above 20 per cent. This formula was modified as of April 1, 1949, and a two-part billing adjustment substituted. The first part (a) of the revised billing adjustment applicable to the retail service rates, except in Pinellas county, read as follows:

> To the base bill shall be added one-half of one per cent for each 5-cent increase above $1.50 per barrel in the price as established by published quotation of Bunker "C" fuel oil f. o. b. refiners' storage tanks, Port Tampa, Florida.

The second part (b) provided:

> An increase to the base bill of one-half of one per cent for each 5-point change in the composite index of the U. S. Department of Commerce above 160.

IN the application of the above billing adjustments in Pinellas county, the Florida Power Corporation ran afoul of the local utility board, which, prior to the adoption of statewide regulation, had rate-making authority in that county, which includes St. Petersburg, where the general offices of the power company are situated. This board had been created by the state legislature and it still claimed authority over the rates in effect after the legislature had invested regulatory authority over electric operations in the state railroad and public utilities commission. The Pinellas Utility Board claimed that the Florida Power Corporation's rates were too high and ordered a reduction. The utility attacked that order and the circuit court of Pinellas county permitted the company to collect the higher rates under an escrow agreement pending an appeal. During the period of the litigation the utility placed $1,125,000 in escrow.

UPON recommendation of the state commission, Florida Power Corporation returned the impounded funds to the customers and dismissed its appeal of the case to the Florida Supreme Court. Thus all litigation concerning the electric rates established by the local county board was terminated, and the jurisdiction of this board ceased to exist, the state commission then taking complete jurisdiction. This prepared the way for Florida Power Corporation to go before the state authority and make its application for approval of its escalator clauses and certain rate adjustments.

Prior to the commission's order, effective August 1, 1953, the company's fuel adjustment clause applicable on wholesale and industrial power sales, read as follows:

> The energy charge shall be increased or decreased $.00015 (15/100 of a mill) per kilowatt-hour for each five cents

(5¢) above $1.05 or below $.90 per barrel, respectively, in price as established by published quotation of Bunker "C" fuel oil f. o. b. refiners' storage tanks at Port Tampa, Florida.

THE company also had applied prior to the order the modified fuel and commodity adjustment clauses previously referred to in its retail rate schedule. At the request of the commission the company revised its fuel adjustment to bring it into conformity with the company's level of generating efficiency. The revised billing adjustments, which were approved by the commission effective August 1, 1953, applicable to retail sales, are as follows:

(a) Base bill adjustment shall be calculated to the nearest one-half per cent by using four-tenths of one per cent (4/10 of 1 per cent) for each five-cent (5¢), or nearest five-cent (5¢) change, above $1.35 per barrel in the weighted average cost to company of fuel oil used in its generating stations in the month next preceding the billing period, as established by charges to Accounts 703 and 729 Uniform System of Accounts prescribed by the Florida Railroad and Public Utilities Commission.

(b) Base bill adjustment shall be calculated by using one-half of one per cent (½ of 1 per cent) for each 5-point change in the composite construction index level above 160 as established by the U. S. Department of Commerce, for the month next preceding the billing period.

(c) The applicable proportionate part of any taxes and assessments imposed by any governmental authority in excess of those in effect January 1, 1953, which are assessed on the basis of customers, or meters and poles or the price thereof, or revenues or income from electric energy or service sold, or the volume or energy generated or purchased for sale or sold.

ALSO as of August 1, 1953, the Florida Power Corporation was authorized to put into effect a revised fuel adjustment clause for industrial service applicable to the various industrial power rate schedules. This reads:

Energy charge shall be increased $.000023 (23/1,000 of a mill) per kilowatt-hour for each one-cent (1¢) increase above $.85 per barrel in the weighted average cost to the company of fuel oil used in its generating stations in the month next preceding the billing period, as established by charges to Accounts 703 and 729 Uniform System of Accounts prescribed by the Florida Railroad and Public Utilities Commission.

Also a commodity adjustment was authorized reading as follows:

Base rate bill shall be increased by

¶ "ALTHOUGH *fuel escalator clauses have been in common use for some years in the wholesale rates for electricity and gas, Florida may well be the first state where the self-starting application of both fuel and commodity adjustments in rates to the retail consumer have been authorized by a regulatory commission.*"

one-half of one per cent (½ of 1 per cent) for each 5-point change in the composite construction index level above 185, as established by the U. S. Department of Commerce, during the month next preceding the billing period.

The same tax adjustment used in the retail rates is also applicable in the industrial schedules.

As of the effective date of the commission order — August 1, 1953 — the application of the billing adjustments in the retail rates under the revised and authorized formula was based on a weighted average cost of fuel oil of $1.93 a barrel and the Department of Commerce composite construction index level of 253.3. The computed adjustment for the month of August, 1953, by application of the fuel clause, was 5 per cent and under the commodity index 9 per cent, making a total billing adjustment for the month of 14.

Having had considerable experience with fluctuating fuel and labor costs, the Florida Power Corporation realized at an early date that the use of escalator clauses in all of its rate schedules would provide protection both for the company and the consumer and tend to reduce the number of rate litigations.

While in the main the formulas of the Florida Power Corporation and Florida Power & Light Company now in use are much the same, they differ in some particulars. For example, Florida Power & Light Company uses fuel oil base cost of $1.47, Florida Power $1.35. The Miami company bases its cost on a single plant at Dania, while the St. Petersburg company takes a weighted average of its delivered costs at all of its plants. In neither case are fixed charges on plant facilities included in these costs.

In its commodity clause Florida Power & Light Company uses the U. S. Department of Labor wholesale price index whereas Florida Power Corporation uses the Department of Commerce construction index.

In both cases, however, the surcharge works out at approximately the same. The Florida Power & Light Company's adjustment for residential meter readings from September 10th through October 9th was 14.5 per cent over the base rates.

The Florida plan does not take away from the Florida Railroad and Public Utilities Commission any of its rate-making authority. Base rates are subject to change. Meanwhile, if costs should decline, as reflected by the indexes, consumers will almost immediately benefit.

"For a reason far less personal and selfish than the prosperity of the individual company, utilities generally should welcome, encourage, and support strong, firm, and just regulation. There is no doubt in my mind . . . that the firmest bulwark between state ownership and the continuation of a private shareholder ownership of the utility industry lies in the hands of the regulatory bodies. For this reason, if for no other, the public and the utility industry have a tremendous stake in the health and continuation of good utility regulation."

—Eugene S. Loughlin,
Former president, National Association of Railroad and Utilities Commissioners.

Gas Regulation by Compact?

Part II. *Using the Compact Technique*

The recent action of the U. S. Supreme Court in agreeing to review the celebrated Phillips Case defers but does not eliminate the problem of eventual exercise of regulatory jurisdiction over natural gas production, which the lower court said should be exercised by the Federal Power Commission. Here is a suggestion that a solution to the problem of federal VERSUS *local regulation of natural gas production and gathering may be found through appropriate use of the interstate compact commission form.*

By SAMUEL H. CROSBY*

A Respectful Suggestion

THE Federal Power Commission has by no means ignored the Interstate Oil Compact Commission, outstanding among the many interstate compact groups which Congress has approved. This great organization, concerned with all aspects of the conservation, production, and marketing of petroleum, fluid and gaseous, now amalgamates the interests and influence of twenty-one adherent states, plus four more "associates." It is believed to be quite worth while to review the origin of this commission and the reasons why Congress approved it. These may not be generally remembered.

The final report of Judge Healy's Federal Trade Commission investigation contains these paragraphs:

*Oil and gas consultant, now resident in Arlington, Virginia.

Measures to Promote Conservation

Since the problem covers the entire field of the right to drill for gas and oil and ownership after capture, over which the several states have jurisdiction, and the transportation thereof in interstate commerce, jurisdiction over which is reserved to the federal government, it is important to consider at the outset from an economic viewpoint, the practical measures to promote conservation which have been applied or which are available to the federal and state governments.

Serious suggestions have been made at various times in recent years that the federal government exercise control over oil production as a means of co-ordinating production and demand. The legal basis for such federal control, if it exists, must be found, apparently, in the powers of the federal government

to regulate commerce, to make treaties, to provide for the national defense, and to levy and collect taxes. Proposal that the federal government assume control of the oil industry, which is so closely allied with the gas industry, has not met with general approval either within the industry or outside of it. Voluntary agreements within the oil industry to control production are said to have been fairly effective in California. As applied to the problems of nation-wide control, however, such plans would go counter, generally, to both federal and state anti-trust laws. There is also the practical difficulty of securing the adherence of the minority who, under the law of capture, can set the producing pace of the industry in spite of any agreement that might be made by the majority. As a consequence, the efforts of the Federal Oil Conservation Board have been turned in the direction of attempting to bring about co-operation of the several states concerned through compacts, which are subject to approval by Congress, to control production of oil. Work on one such compact, which would affect both oil and gas wastage and conservation, was ratified by Texas, Louisiana, Oklahoma, Kansas, New Mexico, and Colorado during the early months of 1935, and the consent of Congress, acting under Article I, § 10, of the federal Constitution, was given to the compact on August 27, 1935. . . .

Beyond the congressional approval given to the interstate compact of February 16, 1935, the federal government has not functioned in any way to directly effect conservation of natural gas. The principal reason for its failure to attempt comprehensive control appears to be based on lack of constitutional authority to act, many of the powers required being reserved exclusively to the several states. Lacking power to do all things necessary to comprehensive regulation, the course adopted has been to lend such legal assistance and moral support as may be involved in the approval of the interstate compact of February 16, 1935, apparently in the hope that, notwithstanding suspicions and jealousies among the signatory states, something of broader scope and more constructive character than has hitherto been attempted may come out of the efforts of states to co-operate. In the meantime, however, there is no national policy or plan to meet the pressing need for conservation of natural gas.

THE Interstate Compact to Conserve Oil and Gas is concise and to the point:

Article I

The name shall be the Interstate Oil Compact Commission.

Article II

The purpose of this compact is to conserve oil and gas by the prevention of physical waste thereof from any cause.

Article III

Each state bound hereby agrees that within a reasonable time it will enact laws, or if laws have been enacted, then it agrees to continue the same in force, to accomplish within reasonable limits the prevention of:

(a) The operation of any oil well with an inefficient gas-oil ratio.

(b) The drowning with water of any stratum capable of producing oil or gas,

or both oil and gas in paying quantities.

(c) The avoidable escape into the open air or the wasteful burning of gas from a natural gas well.

(d) The creation of unnecessary fire hazards.

(e) The drilling, equipping, locating, spacing, or operating of a well or wells so as to bring about physical waste of oil or gas or less in the ultimate recovery thereof.

(f) The inefficient, excessive, or improper use of the reservoir energy in producing any well.

The enumeration of the foregoing subjects shall not limit the scope of the authority of any state.

Article IV

Each state bound hereby agrees that it will, within a reasonable time, enact statutes, or if such statutes have been enacted, then it will continue the same in force, providing in effect that oil produced in violation of its valid oil and/or gas conservation statutes or any valid rule, order, or regulation promulgated thereunder, shall be denied access to commerce; and providing for stringent penalties for the waste of either oil or gas.

Article V

It is not the purpose of this compact to authorize the states joining herein to limit the production of oil or gas for the purpose of stabilizing or fixing the price thereof, or create or perpetuate monopoly, or to promote regimentation, but is limited to the purpose of conserving oil and gas and preventing the avoidable waste thereof within reasonable limitations.

Article VI

Each state joining herein shall appoint one representative to a commission hereby constituted and designated as the Interstate Oil Compact Commission, the duty of which said commission shall be to make inquiry and ascertain from time to time such methods, practices, circumstances, and conditions as may be disclosed for bringing about conservation and the prevention of physical waste of oil and gas, and at such intervals as said commission deems beneficial it shall report its findings and recommendations to the several states for adoption or rejection.

The commission shall have power to recommend the co-ordination of the exercise of the police powers of the several states within their several jurisdictions to promote the maximum ultimate recovery from the petroleum reserves of said states, and to recommend measures for the maximum ultimate recovery of oil and gas. Said commission shall or-

¶ "THE *Federal Power Commission has by no means ignored the Interstate Oil Compact Commission, outstanding among the many interstate compact groups which Congress has approved. This great organization, concerned with all aspects of the conservation, production, and marketing of petroleum, fluid and gaseous, now amalgamates the interests and influence of tweny-one adherent states, plus four more 'associates.'* "

ganize and adopt suitable rules and regulations for the conduct of its business.

No action shall be taken by the commission except: (1) by the affirmative votes of the majority of the whole number of the compacting states, represented at any meeting, and (2) by a concurring vote of a majority in interest of the compacting states at said meeting, such interest to be determined as follows: Such vote of each state shall be in the decimal proportion fixed by the ratio of its daily average production during the preceding calendar half-year to the daily average production of the compacting states during said period.

ALTHOUGH the compact provides for the withdrawal of any adherent upon sixty days' notice, none has withdrawn. An office is maintained at the Oklahoma State Capitol, a competent staff in charge, and quarterly meetings are held. The published proceedings of these meetings and the reports of the standing committees constitute a great contribution to orderly and scientific progress of conservation.

The Oil Compact Commission regards the educational aspects of its work as highly important and the voluntary acceptance of scientific principles of production for the profit motive, essential to the best success. The bylaws of the commission provide:

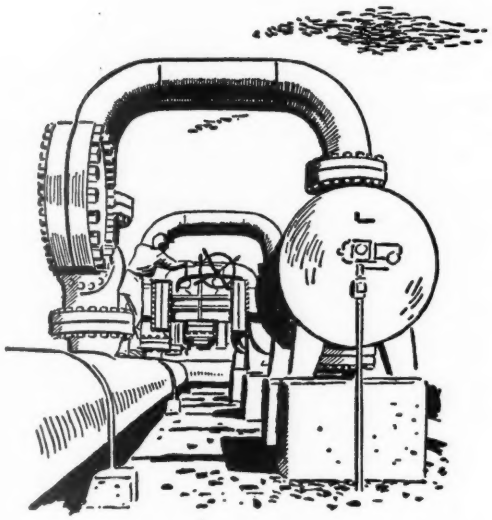
> The commission shall be a fact-finding and deliberative body and shall exercise the powers and perform the duties provided in the compact. It shall conduct studies to ascertain methods, practices, and conditions for bringing about conservation and the prevention of physical waste of oil and gas and to promote wide acceptance and use of the best conservation practices. It shall, from time to time, report its findings and make recommendations to the several states for adoption or rejection.

The bylaws contain the further important provision that

> The President of the United States . . . is invited to appoint and designate one or more representatives of the federal government to attend and participate in the meetings of the commission. Said representative or representatives shall be privileged to be present at all open and executive sessions, and may participate in the deliberation and studies of the commission and may make recommendations concerning the policies, the program, and work of the commission.

THE writer's thesis is this: Suggest to President Eisenhower that the members of the Federal Power Commission, *ex officio*, be appointed "representatives of the federal government to attend and participate in the meetings of the Interstate Oil Compact Commission." The reasons believed to support this suggestion are numerous.

The commission, however reluctantly, will be expected to approve all prices paid for gas to be transmitted in interstate commerce. Competitive factors may prove adequate, by and large, to supply a great part of the gas, but the necessity for forthright regulatory action will of course arise in the bargaining for and purchasing of the great volumetric intake of an insatiable and constantly increasing pipeline demand. All such prices must be "just and reasonable." Without statutory standards to in-



Aids to Conservation

"THE regulatory commissions of Oklahoma and Kansas have now established minimum well-head prices for natural gas produced from specified areas which have been upheld by the state and federal courts as reasonable and proper conservation measures. The precedent well may be followed by other states. A working alliance between the Federal Power Commission and the Interstate Oil Compact Commission might also aid in clearing away FPC's much criticized practice of allowing less than the field value for natural gas produced from wells owned and operated by the regulated company."

terfere the commission will be expected to exercise "informed judgment" and come up with maximum price pegs or schedules based on a reasonable balancing of the determinants.

The gas-producing states have broad and genuine interest in conservation and the elimination of waste. In every state market price is naturally an important conservation factor. The states adhering to the interstate oil compact, particularly in the southwest and mid-continent areas, are dealing with conditions common in many respects to the conditions of production and marketing in the other states of those general areas. They have a common purpose which includes the protection of landowners and small producers against unfair practices. They have generally adopted and enforced laws, rules, and regulations that are now accorded public approval.

HERE then would seem to be the essential objectives of logical and mutual-

ly desirable regulatory affiliation. The Federal Power Commission looks out for fair play to the ultimate consumer. The states signatory to the interstate compact not only are successfully enforcing sound conservation practices but they are doing more. For illustration: the forthright action of the state of Oklahoma.

The Oklahoma Corporation Commission, acting under a conservation statute, held formal hearings upon the complaint of a gas producer. It made findings, including this one:

> There is no competitive market of natural gas in the Guymon-Hugoton, Oklahoma, oil field, but said market has been stifled by reason of the control of acreage and markets, by the pipeline operators in said field, and as a result, natural gas is being taken out . . . at a price far less than its actual, or fair market value, and at a price which is far less than the value of natural gas for heating and other purposes as compared to the value of other fuels.

THE regulatory commissions of Oklahoma and Kansas have now established minimum well-head prices for natural gas produced from specified areas which have been upheld by the state and federal courts as reasonable and proper conservation measures. The precedent well may be followed by other states.

A working alliance between the Federal Power Commission and the Interstate Oil Compact Commission might also aid in clearing away FPC's much criticized practice of allowing less than the field value for natural gas produced from wells owned and operated by the regulated company. A recent case, now in the courts, emphasizes the difficulties inherent in the practice of treating production and gathering of natural gas as a utility function, allowing the pipeline company for such gas only its net cost of production.

THE pending case involves appeals by the state corporation commission of the state of Kansas and of the Northern Natural Gas Company from a 1952 decision of the Federal Power Commission (95 PUR NS 289), presented in separate petitions to the U. S. Circuit Court of Appeals for the Eighth Circuit (206 F2d 690). Northern purchases 81.32 per cent of its pipeline supply from other producers for which it pays, in the states of Kansas and Oklahoma, the "attributed" well-head prices of eight cents and seven cents per MCF, respectively. Northern produces from its own wells in Kansas something over 13 per cent of its pipeline supply for which FPC allowed only five cents per MCF. The 3-cent differential on the record of the case at issue totaled $1,914,714 loss to Northern.

The court approached its decision with the observation that (206 F2d at p. 698)

> In our consideration of the assailed findings and conclusions of fact made by the commission, we are controlled by the provision of § 19(b) of the act that "the findings of the commission as to the facts, if supported by substantial evidence, shall be conclusive." . . . as between two fairly conflicting views the court may not displace the commission's choice, even though the court would justifiably have made a different choice had the matter been before it *de novo*.

Citing the authority upon which the D. C. Court of Appeals had reversed the commission in the Phillips Case, the opin-

ion fully sustains the findings and orders of the commission in the Northern Natural Case with the sole exception of rate of return, which was fixed at 5½ per cent. The court stated (206 F2d at p. 723):

> . . . Not only does the 5½ per cent rate allowed appear to be the lowest ever allowed by the commission, but the presiding examiner's finding and the testimony of the commission's own expert rate-of-return witness militate against it.
>
> The case must be remanded to the commission with direction to make additional findings and conclusions upon its determination of the issue of rate of return, including its reasons and basis therefor so as to comply with the requirements of 5 USCA § 1007 (b).

THERE is a concurring opinion in this case which might have persuasive effect should the commission believe its current dilemmas might be ameliorated by a close working alliance with the Interstate Oil Compact Commission. The opinion of the court—Circuit Judges Sanborn, Woodrough, and Johnsen—was delivered by Judge Woodrough but Judge Johnsen made these significant comments (206 F2d at p. 724):

> . . I shall here . . . discuss only a single question which I regard as the most important and most perplexing one in the case, in order to bring it a little more fully into the spotlight.
>
> I initially felt . . . that the Federal Power Commission was required, or at least deferentially ought, in the balancing of proper state and national interests, to have accepted . . . the attribution value mandated by the state of Kansas, of 8 cents per thousand cubic feet at the wellhead, on all natural gas taken from Kansas ground, as representing a legally fixed production cost, under the state's right and policy of conserving its natural gas resources, preventing any profligate promotion or exploitation of them, and conditioning undiscriminatingly as between local distribution and commerce the privilege of removing them from the ground, and within the authority which it seems to me that the Natural Gas Act has specifically permitted to remain in the states to regulate production.
>
> . . . it has been many times answered as to a state regulation of some matter of local concern which may affect commerce—that the mere fact that such a regulation may have some impact upon commerce, as an incident and not as an undue burden, does not require that it be given federal nullity. No more, it would seem to me, ought such a conservational, preventive, and privilege-

¶ "THE *gas-producing states have broad and genuine interest in conservation and the elimination of waste. In every state market price is naturally an important conservation factor. The states adhering to the interstate oil compact, particularly in the southwest and mid-continent areas, are dealing with conditions common in many respects to the conditions of production and marketing in the other states of those general areas.*"

conditioning regulation in the state-preserved field of production to have its operativeness abstractly and generally cut off, just because of its incidence legally as a rate element or factor.

THE Northern Natural Gas Company Case just discussed was decided in 1952 by the former Federal Power Commission. The objectionable two-price system continues. Working affiliation with the Interstate Oil Compact Commission might very naturally result in complete accord on the conflict of interest with which Judge Johnsen expressed concern, and with comparable differences as they may arise in other states.

The great advantage of a close working affiliation would seem to be the availability to the federal commission of nearly two decades of systematic study and broad experience now vested in a highly successful organization supporting fair play and the common public interest.

At a recent quarterly meeting of the Oil Compact Commission there was a panel discussion—"What Is the Interstate Compact Commission?" A speaker who referred to the "chaotic conditions" of the thirties in the oil country and recounted the difficulties finally overcome by Governor Marland and his associates, made this statement:

> The form was finally crystallized and the compact was born to bring order out of chaos. It represented victory over those who would have subjected the industry to federal control and proved that the states, if permitted, could work out their problems at home.

This "respectful suggestion" may be worthy of serious consideration *in the public interest.*

Compact Adopts Resolution in Phillips-FPC Case

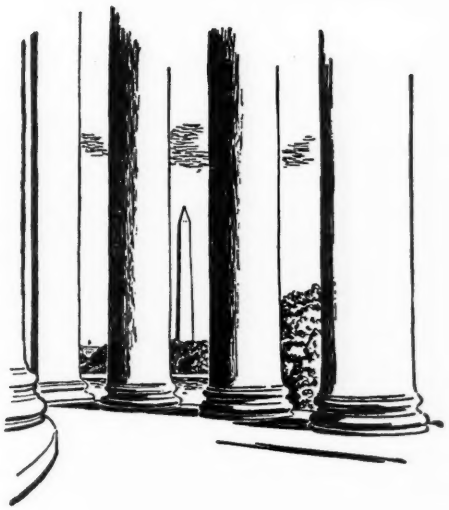
THE Interstate Oil Compact Commission during its Oklahoma City meeting (December 5, 1953) adopted a resolution which took note of the 2-to-1 decision of the U. S. Circuit Court of Appeals for the District of Columbia, which held that the jurisdiction of the Federal Power Commission, under the Natural Gas Act, extends to sales of natural gas by producers and gatherers, and which overruled a previous holding of the FPC itself disclaiming such jurisdiction.

The IOCC noted that extension of FPC jurisdiction permitting partial regulation of gas production-gathering will substantially interfere with state regulation of producers and gatherers.

In the opinion of the IOCC, partial regulation by a federal agency can only lead to one of two results: (1) undue burdens on the operators, producers, and gatherers; or (2) ultimate complete federal regulation in the oil and gas field. Production of natural gas and oil is so closely allied and associated that federal regulation of the production of natural gas would inevitably result in regulation of the production of oil by the same authority.

The IOCC resolved that it call the seriousness of the situation to the attention of its member states and urge them to take every step possible to secure the reversal of the court's decree.

Washington and the Utilities



Breaking the Left Drift

For the first time in a number of years the annual "State of the Union" Message to Congress failed to make any direct or indirect reference to public utility companies. Indeed, federal power development agencies were passed over, including the politically popular REA, although they will doubtless be the subjects of specific recommendations from President Eisenhower to Congress at a later date.

This, in itself, is quite a change of emphasis as far as public utilities are concerned. In years past, they have been the target of very definite criticism from White House sources. This change is probably due to White House preoccupation with more pressing issues, notably in the international field, at this time. About the only reference which the President did make in the broad field of federal development of natural resources, including multipurpose projects, was under the heading of "conservation." There he did repeat his earlier ideas about the importance of enlisting more local support in participation in such public works. The President's favorite word seems to be "partnership," in this field.

Altogether, the President's message lived up to its advance billing as a "middle-of-the-road" document. It represents a slowdown rather than an absolute cessation of the drift to the left, which was so obvious under preceding administrations. Private initiative is given more responsibility but the federal government is still very definitely in the picture. As seen in the subsequent messages on farm policy and the Taft-Hartley law, the Eisenhower administration will not hesitate to use the powers of the federal government where it is believed necessary for the benefit of the majority.

There was one sentence in Eisenhower's message which underlined the difference between the President's policies and those of his predecessors: "Tax burdens should be reduced so that taxpayers may spend their own money in their own way." There was disappointment in business circles over the White House requests for continuation of the 52 per cent corporate income tax (as compared with the scheduled automatic drop to 47 per cent April 1st) and for the continuation of some excises (not on

utility service) slated for changes April 1st.

Aside from these two items, on which Congress is likely to have different ideas, the President promised to recommend 25 changes, including more liberal deductions for depreciation, research, and development, resulting in increased retained earnings to use in expanding and improving plants. These indicate changes of considerable interest to public utilities, and a return to traditional policy of taxation for revenue, rather than social reform.

Eisenhower Supports Interior Policy

PRESIDENT Eisenhower has stepped in personally to defend strongly his administration's new policy on selling federal power in the Missouri basin. The policy has been heatedly attacked by some legislators and, in recent congressional hearings, by spokesmen for rural electric co-operatives.

The main accusation has been that the new policy, through allowing long-term contracts with private utilities for government power, endangers the traditional priority co-operatives and public agencies have had to federally produced energy as "preference" customers.

But Mr. Eisenhower took a sharp stand of disagreement with the policy's opponents in a letter made public last month. In the letter, written to Senator Lester C. Hunt (Democrat, Wyoming), the President said: "It is clear that no preference customer's rights could possibly be jeopardized."

"In the interest of every taxpayer," the President said, "it is essential that when the new power in the Missouri basin comes into production in 1954, such power be put to use and converted into revenue forthwith."

Hunt was one of twenty-eight Senators who wrote Mr. Eisenhower asking him to delay the January 1st effective date of the power policy until it could be thoroughly examined by Congress.

The President outlined his conclusions on the power policy as follows:

> 1. The January 1, 1954, date does not have the significance that you seem to attribute to it. The Department of the Interior merely requested the various preference customers to indicate to the department in a preliminary way by January 1st their requirements for power. Until final contracts have been signed by the department with preference customers, there will be ample time for the preference customers to make changes in their requirements if they so desire, as well as ample time for Congress to examine the marketing criteria.
>
> 2. Even after contracts have been entered into with preference customers, their future needs for additional power will be met to the extent of power available. That is to say, power available at the time of contract negotiations with the preference customers but not needed by them until a later date will be reserved for them by disposal under short-term interim contracts with other customers so that it will be available to the preference customers when they desire it.

Cost of Money Again on the Fire

THE Northern Natural Gas Company Case again provides the FPC with an opportunity of clarifying its views on rate of return. Regulatory commissions throughout the country, which have been following the FPC lead on the cost-of-money theory, may well be influenced by any new approach which the FPC may take when it re-examines this important topic. Such is the far-reaching effect of the U. S. Supreme Court's refusal to grant an appeal, thereby reinstating the opinion

of Judge Woodrough of the Eighth U. S. Circuit Court of Appeals as the final case law on the subject. The original FPC order, cutting Northern Natural's request for $9,300,000, is likely to be liberalized.

The newspaper reports on the effect of the denial of a review in the Northern Natural Gas Case were misleading in some respects. They implied that the FPC had been upheld in an order increasing the Northern Natural Gas Company's rates, as affirmed in the lower court. Such was not the whole picture. The situation was complicated by three different appeals from the lower court's decision, all of which were denied. Here briefly is what happened: (1) The Kansas commission appealed because the FPC refused to allow statutory minimum field gas prices on gas produced by the company. (2) The company appealed because of a number of other unfavorable FPC rulings upheld by the lower court. (3) The FPC appealed because of the lower court's criticism of the commission's 5½ per cent rate of return computed on cost of money.

THE highest court's refusal to disturb the lower court's rejection of the FPC's basis for return allowance is the most important item for the gas industry and other utilities. It means that the case must now go back to the FPC for further consideration of its rate of return allowance, in the light of the lower court's opinion, which not only criticized the amount of return (it suggested 6 per cent instead of 5½ per cent) but also the narrow comparative cost-of-money basis used by the FPC.

After the FPC had rendered its own original opinion, appointments of Chairman Kuykendall and Commissioner Digby were made to its membership. Furthermore, Chairman Kuykendall has since expressed in several addresses (see PUBLIC UTILITIES FORTNIGHTLY, Vol. LII, No. 10, November 5, 1953, page 734) some apprehension over the need of reassuring investors in the gas industry and the desirability of getting away from any strait-jacketing rate-making formulas. The FPC membership as now constituted will have an opportunity to translate such ideas into a clear-cut opinion when it reconsiders the return for Northern Natural Gas. But there still remains the Tenth U. S. Circuit Court of Appeals' decision in the Colorado Interstate Gas Company Case upholding cost-of-money return as applied by the FPC, about the same time as the Northern Natural Case was decided.

Phillips Review Cheers Producers

OFFICIALS of gas-producing states, notably Texas and Kansas, were cheering along with the independent gas producers the sudden and somewhat surprising action of the U. S. Supreme Court in reversing its previous attitude on the celebrated Phillips Case. It is a step very rarely taken by the court after it has once declined to review a lower court decision.

Now that the Supreme Court will review the appeal of the FPC from a lower court order directing it to take jurisdiction over the gas producers, three different classes of parties are feeling a definite release of tension: (1) The FPC, which will now have more time to decide how it will approach such jurisdictional duties if finally ordered; (2) the producers for the same reason; (3) Congress, which is taken off the hot spot of considering controversial legislation during a sensitive election year.

The court's decision to review does not necessarily mean a reversal of the lower court in favor of FPC.

Wire and Wireless Communication

Rural Co-op Group Asks Expanded REA Program

DELEGATES to the twelfth annual conference of the National Rural Electric Co-operative Association urged Congress to make appropriations for loan purposes sufficient to speed up immediately the extension of rural telephone service, as well as more administrative funds to permit REA to process loans more rapidly and offer additional technical assistance to farmers.

Although the attention of the delegates was directed for the most part toward electric power problems and the administration's new power policies, several resolutions adopted at the convention dealt with the rural telephone program. ". . . as a general thing, the farmers have already waited too long for existing companies to extend rural telephone service," read one resolution. ". . . accordingly in the future no more than a minimum of time should be spent in negotiations with existing companies before the organization and construction of co-operatives to do a truly area coverage job." The resolution recommended a reduction in the "patron equity requirements because such requirements are a serious hindrance to obtaining a maximum membership base, which would assure feasibility."

Problems involving connecting company agreements, regulatory commission authorizations, and insufficient administrative funds for REA, have prevented the rural telephone program from going into "high gear," according to NRECA's leadership, "and as a result there are still only about one-fourth of the farmers receiving adequate telephone service." Appreciation was expressed to REA Administrator Nelsen and his staff for their efforts to obtain a nation-wide uniform connecting company agreement for extended area service.

Other resolutions opposed any increase in the interest rates on telephone loans and called for a minimum of $200,000,000 in loan funds for the next fiscal year.

SEC Amends Proxy Rules

THE Securities and Exchange Commission tightened its proxy rules last month to curb publicity-seeking stockholders. The agency refused, however, to go as far as many companies had proposed and to authorize the omission from a management's proxy material of the name and address of a security holder submitting a proposal for action at a shareholders' meeting.

Spokesmen for the American Tele-

phone and Telegraph Company and the United Shareholders of America took opposite sides on the SEC proposals to change the rules for rounding up absentee stockholder votes by proxy. Speaking for AT&T, Attorney George A. Brownell of New York said stockholders rarely use their rights to have proposals included in proxy material distributed by management, so this privilege granted by the SEC is "not desired or needed."

Benjamin A. Javits, president of United Shareholders, disagreed, stating that a stockholder "should have every opportunity to express himself." He said stockholders impose "extremely minute" burdens on management and he does not believe "sound" company officials want to keep any information secret. Brownell said the rule which permits inclusion of stockholder proposals in proxy material is used mostly "by a small group who have some special interest to serve."

L. R. Breslin, Jr., representing Bethlehem Steel Corporation, said addition of a large volume of stockholders' proposals to a proxy statement "obscures really important" information about company matters. He supported the SEC's proposal to ban unlimited repetition.

Ending hearings on the subject which began last October, the SEC's amended rules now authorize management to omit a proposal from proxy material "if it clearly appears that the proposal is submitted by the security holder for the purpose of enforcing a personal grievance against the issuer or its management, or primarily for the purpose of promoting general economic, political, racial, religious, social, or similar causes."

IN dealing with the problem raised by stockholders bringing up managerial questions at annual meetings, the commission announced that, with reservations, it would leave the question of what was or was not a proper subject for consideration up to the laws of the state in which the corporation was situated. "The rule places the burden of proof upon the management," the commission said, "to show that a particular security holder's proposal is not a proper one for inclusion in management's proxy material. Where management contends that a proposal may be omitted because it is not proper under state law, it will be incumbent upon management to refer to the applicable statute or case law and furnish a supporting opinion of counsel."

Under the previous rules, a proposal had to be repeated in management's proxy material if it received 3 per cent of the total number of votes cast at the last annual or subsequent special meeting. This resulted in the repetition year after year of all sorts of proposals which happened to interest some minority stockholder. The rule is now amended to provide that a proposal may be omitted for a period of three years from the last previous submission if it was submitted within the previous five years and received less than 3 per cent in the case of a single submission, less than 6 per cent upon a second submission, or less than 10 per cent upon a third or subsequent submission during the 5-year period.

Ability to Attract Capital Tied To "Autonomy" Status

"UNTIL the Bell Telephone of Nevada becomes completely autonomous, its ability to attract money for development need not be considered." So ruled the Nevada Public Service Commission in granting Bell of Nevada a yearly rate increase of $256,000. The company had asked for a rate of return on its investment of 7.5 per cent, but the commission

cut this to 6.3 per cent. One of the company's arguments for an increase at this time was that its return on investment is so low that it is unable to attract investment capital for needed expansion. But the commission dismissed this argument on grounds that since the company "represents approximately 42 per cent of the capital structure of the parent company, the ability of Bell of Nevada to obtain money for plant extension is a problem of the parent company."

In its lengthy order, the Nevada commission found that during the first nine months of 1953, the telephone company has had an apparent wage increase of $29,738, and that its rate of return during the same period has been 5.11 per cent. A 6.3 per cent rate of return, said the commission "is considered fair to the consumer and fair to the company."

At the same time, the Nevada commission ruled that if the federal income tax on corporations is reduced from 52 per cent, the telephone company must pass along the savings in rate reductions to its customers. The 52 per cent corporate income tax is scheduled to drop to 47 per cent on April 1st. However, President Eisenhower recommended in his State of the Union Message to Congress that the higher tax be retained.

Utah Ruling Recognizes Regulatory Lag Factor

A RULING by the Utah Public Service Commission, granting Mountain States Telephone & Telegraph Company an increase of $784,000 in net earnings, departed somewhat from traditional practices by taking into account the company's projected construction program, which will enlarge the rate base and thus reduce the rate of return. Hence, the additional $784,000 is a 6.5 per cent rate on the current rate base but is expected to yield only a 6 per cent return on the base to which the new charges will be applied. Because of the time lag, the commission noted, past increases have actually failed to produce the contemplated return. "It is to be strictly understood," the commission's order added, "that in using a rate of 6.5 per cent at this time we do not find that the company is entitled to earnings of this magnitude."

The commission based its order upon findings that the company's adjusted earnings for the last fiscal year were $1,255,000, or 4.4 per cent of its net investment rate base. The commission further found that a fair rate of return would be 6 per cent of its rate base—a standard of long standing which the telephone company had sought to boost in its original rate hike request filed in mid-1952. That request was turned down by the commission, whereupon the company filed a new proceeding in the form of a complaint of inadequate earnings, demanding that the commission determine what a fair return should be.

WHILE conceding that the company is entitled to more earnings, the commission rejected several arguments on which the plea for an even larger increase was based, among them the debt ratio, cost of debt capital, and cost of equity capital. It was noted that the company's Utah expenses mounted at an "alarming rate" in 1953 to deteriorate company earnings, but the commission laid part of the blame for this on general and administrative expenses incurred since a reorganization affecting officers and supervisory personnel in late 1952.

"The commission is of the opinion that reduction in expenses per service unit should and must be made," the order warned.

Financial News and Comment

BY OWEN ELY

Buoyant Security Markets Decry Depression Talk

As indicated in the table "Current Yield Yardsticks" (page 177) and also in the accompanying chart (page 179) showing the historical trend of yields on utility securities, the bond and preferred stock markets during the latter half of 1953 and early 1954 have recovered a considerable part of the ground lost during the first half of 1953. Thus around the beginning of 1953 Aaa utility bonds were selling on about a 3 per cent average yield basis, but by June the yield had declined to about 2.43 per cent—equivalent to a price drop of 15 per cent. Now these bonds have recovered to about a 3.09 per cent basis, thus regaining about four-fifths of price decline. (Lower-grade issues have not quite kept pace with the high-grades, however; the Baa bond average has recovered only about one-half of its earlier loss.) Several government issues made new 1953-54 highs recently. High-grade utility preferred stocks sold to average about a 4 per cent basis in early 1953, but the return rose to 4.45 per cent in the summer; now these issues are back to a 4.09 per cent level. Medium-grade preferred stocks around a 4.46 per cent basis have recovered almost to the level of a year ago.

The same general trend holds true for high-grade electric utility equities. At the best level early in 1953, these were selling to average about 5 per cent; the ensuing sharp decline raised the yield to 5.72 per cent, but average prices have now recovered sufficiently to reduce the yield to 5.19 per cent. However, the change in price level does not accurately follow the change in yield since there have been some dividend increases over the past year which tend to improve the yield without change in price; actually utility common stocks are now within a shade of their 1953-54 highs, as measured by the Dow-Jones utility average.

So far as the bond market trend is concerned, the ceiling on the government debt limit and the recent liquidation of business loans have resulted in (temporarily at least) a good supply of invest-

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ment funds. Hence the near-term trend in bonds seems likely to continue upward, unless the market has to contend with too many municipal and corporate offerings. The stock market has been the prey of conflicting forces: on the one hand, reports of mounting unemployment, declining steel operations, and a disorganized used-car market; on the other hand, the end of EPT, the proposed lightening of double taxation on dividends, and other constructive programs at Washington. Thus there has been a zigzag trend in stocks. The latest stimulus was the headlines "GM Bets Billion: No Slump"—which meant that the company might spend some $1-$1.5 billion for expansion, with at least a half-billion scheduled for 1954. This is apparently "just what the doctor ordered"—at least so far as the stock market is concerned at the moment.

Outlook for the Gas Industry

EARL H. EACKER, president of the American Gas Association and Boston Consolidated Gas Company, presented some interesting facts and forecasts about the natural gas industry in his year-end review, which is summarized (with added comment) as follows:

The gas industry now has over $11.5 billion invested in plant and facilities, or roughly one-half that of the electric utility industry. In 1953 the industry spent about $1.2 billion for new construction and expansion. It is estimated that construction expenditures in the three years 1954-56 will average about $1 billion annually, of which roughly two-thirds will be spent for transmission facilities and one-third to increase distribution facilities.

The gas utilities have been adding new customers at the rate of over 800,000 a year for the past three years; this includes the new areas now served with gas obtained from the rapidly spreading pipeline systems. Natural gas customers have increased over 150 per cent since 1940 and the volume of gas sold has increased 235 per cent. Some 27,200,000 customers are now served by the gas industry as a whole, about 78 per cent of this number receiving natural gas and one per cent LP-gas. There are also some 6,500,000 customers served with LP-gas in areas not located on gas utility mains. Due to conversions, the number of manufactured and mixed gas customers declined 6.8 per cent during the year, while those receiving natural gas (over three times as many) increased 6.5 per cent.

Total sales of gas in 1953 were nearly 57 billions therms, an increase of 8.1 per cent over 1952 and a new record. Of this amount 94 per cent was natural gas and 6 per cent manufactured and mixed gas—the former increasing 8 per cent over the previous year and the latter dropping one per cent. Revenues of over $2.7 billion showed a gain of 11.1 per cent, reflecting rate increases as well as increase in output. Here there was the same contrast between natural gas on the one hand and manufactured and mixed gas on the other—the former gaining nearly 16 per cent, the latter dropping 7 per cent.

THE natural gas pipeline utilities built over 5,000 miles of new line last year, and have about 3,000 miles under construction; applications for several thousand additional miles await FPC action. The entire gas network of gathering, transmission, storage, and distribution lines now totals over 444,000 miles, which includes about 50,000 miles of line for manufactured and mixed gas utilities.

The natural gas industry is paying increasing attention to the construction of underground storage facilities in connec-

tion with the heavy winter demand for space heating. In many areas throughout the country where natural gas enjoys a favorable competitive relation with oil and coal, and where the supply of natural gas thus far has been inadequate, the utilities have sizable backlogs of unfilled orders for conversion of heating facilities to natural gas. Thus the rapid growth of the industry seems assured until this backlog of demand is satisfied.

The increased use of underground storage facilities will prove profitable for the industry, making it possible to use the full capacity of pipelines on a year-round basis, instead of selling part of the gas in the summer for boiler fuel or for other interruptible uses at low rates. The utilities with such storage facilities will be able to satisfy the demand sooner, and at the same time make a better margin of profit on their summer receipts of gas.

At the end of 1952 about 151 underground storage pools were in operation with a total estimated capacity of about 1.3 billion cubic feet. Some 17 additional pools have been under construction, which when completed will add about 282,000,000 cubic feet of storage. About $134,000,000 will be spent during the four years 1953-56 on underground storage. By 1956 it is estimated that about 6 per cent of the annual sales of gas can be stored underground in the summer and taken out in the winter for peak heating demands.

A MAJOR landmark of pipeline progress in 1953 was the final completion of the Algonquin pipeline—about two years behind schedule due to delaying litigation—permitting increased deliveries of natural gas to New England. Opening of the new line increased the supplies in some areas already served by the Northwestern pipeline, and permitted conversion of manufactured gas facilities to natural gas in other areas, such as Rhode Island. The proposed extension of a present line would bring natural gas to Maine; there are no present plans for serving Vermont.

This leaves the Pacific Northwest as the only large region not served with natural gas. (Nevada probably received gas for the first time last year.) Here again there has been a long contest as to who should supply gas. This has now narrowed down to two proposals. The West Coast Transmission Company hopes to finance a $140,000,000 pipeline to bring natural gas from Alberta, Canada. Pacific Northwest Pipeline Corporation wants to bring gas from the San Juan basin in New Mexico and Colorado. The FPC is currently considering the relative advantages of the two plans.

CURRENT YIELD YARDSTICKS

		1953 Range		*1952 Range*	
	Recent	*High*	*Low*	*High*	*Low*
U. S. Long-term Bonds—Taxable	2.67%	3.21%	2.73%	2.80%	2.55%
Utility Bonds—Aaa	3.09	3.43	3.01	3.08	2.93
Aa	3.15	3.59	3.07	3.11	2.99
A	3.33	3.72	3.23	3.31	3.21
Baa	3.72	3.94	3.50	3.58	3.46
Utility Preferred Stocks—High-grade	4.09	4.45	4.01	4.24	3.94
Medium-grade	4.46	4.87	4.43	4.71	4.33
Electric Utility Common Stocks	5.19	5.72	5.01	5.62	5.07

Source: Moody's Investors Service.

Other pipelines are being built or planned to increase the supply of natural gas to other areas. A 1,200-mile pipeline to bring more gas from Texas to Michigan, to be built by the American-Louisiana Pipeline Company, is expected to cost about $130,000,000. Another new line, Gulf-Interstate, some months ago financed the construction of a line to bring additional gas from Louisiana to Kentucky and West Virginia, serving customers of the Columbia Gas System. Applications have been filed with the FPC to bring additional gas supplies to the metropolitan area of Philadelphia, New York, and Newark.

No estimate of natural gas reserves as of the end of 1953 is yet available; at the end of 1952 recoverable reserves were estimated at close to 200 trillion cubic feet, an increase of about 3 per cent over the year previous.

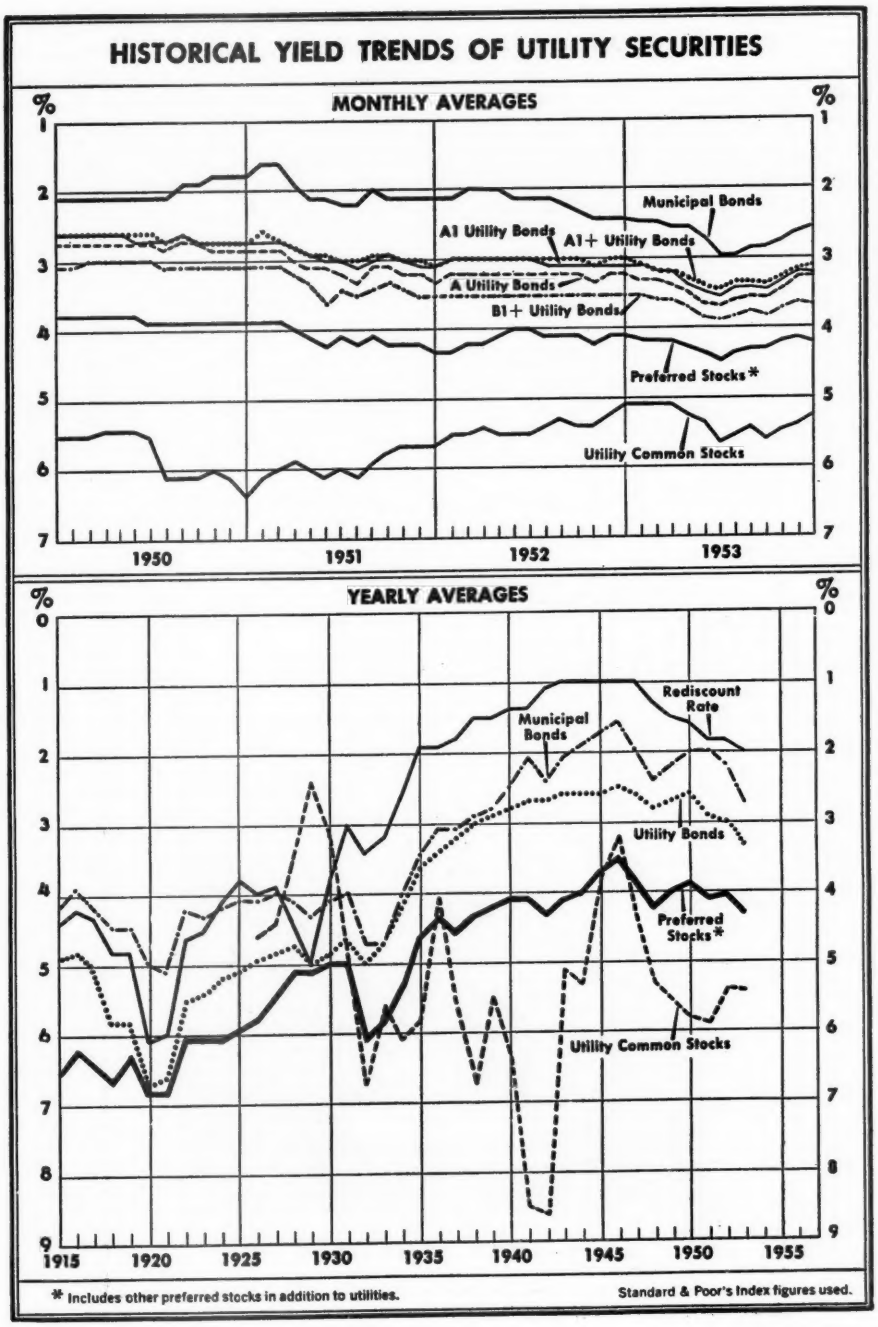
The figure for reserves is conservative, since it does not take into consideration much of the tidelands deposits in the Gulf coast area (where drilling has been inadequate thus far to prove the amount of gas available) or the important fields now opening up in Canada. Some experts have estimated that actual reserves may exceed 500 trillion cubic feet, or 2½ times the official figure for proven reserves. If the larger amount proves correct, this would provide about fifty-eight years' supply at the 1952 rate of output.

The manufactured gas industry, despite the fact that it has been losing ground steadily under the inroads of natural gas, is not giving up without a struggle. Considerable research has been under way to produce a high BTU gas which could be used as a substitute for natural gas, both for mixing and peak-shaving purposes. The AGA Gas Production Research committes have been at work on this problem, and utilities such as Portland Gas & Coke and New England Gas & Electric have also been active. One difficulty is that in order to produce a really low-cost gas from coal or oil, which could compete with natural gas in some areas, the utility is forced to go rather heavily into the by-products business, introducing a nonutility and cyclical factor into operations. Mr. Eacker stated:

> No estimate has been attempted as to when or where the rising costs of producing and transporting natural gas, and the reduction of costs of manufacturing gas made possible by improved techniques, will ultimately cross. But the gas industry will be ready to avail itself of such developments, if and when the need arises.

THE extension of the house-heating business remains the dynamic growth factor of the gas industry. An estimated 1,090,000 new house-heating customers were added during the 1952-53 heating season, bringing the total to about 11,750,000. Saturation was about 48 per cent. The utilities estimated that they could continue to add new house-heating customers at the rate of about 1,200,000 annually through the 1955-56 heating season, as increased supplies of natural gas are brought into areas where there is still a large backlog of demand for house heating. Elsewhere, growth should continue at a slower pace.

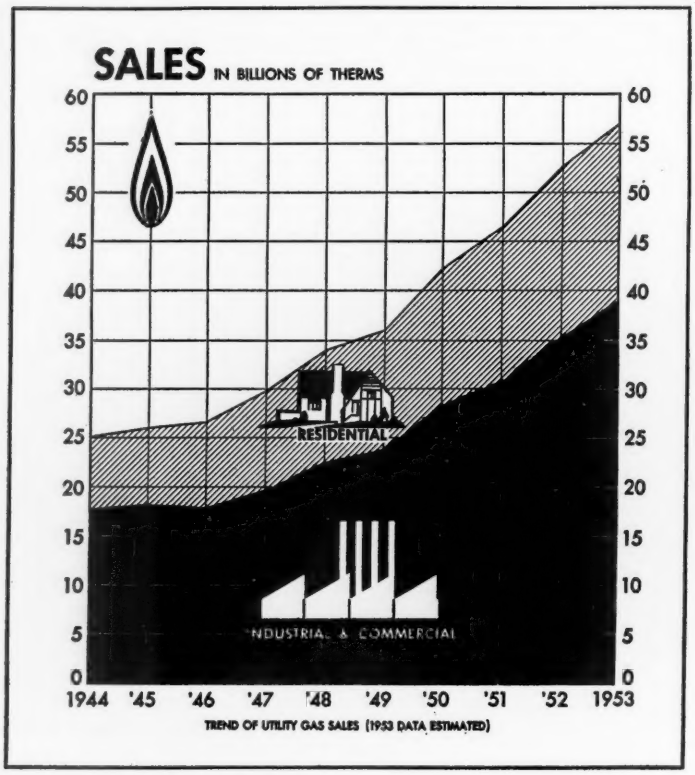
The industry also benefited by increased sales of gas appliances in the first half of 1953, although the second half was less favorable. Sales of gas ranges for the calendar year were estimated at 2,250,000, an increase of 3 per cent over the previous year. Some 2,150,000 automatic gas water heaters were sold, it is estimated, a gain of 13 per cent over 1952. Sales of central heating units approximated 820,000, an


HISTORICAL YIELD TRENDS OF UTILITY SECURITIES
MONTHLY AVERAGES
%
Municipal Bonds
Aa Utility Bonds
Aa1+ Utility Bonds
A Utility Bonds
Baa1+ Utility Bonds
Preferred Stocks*
Utility Common Stocks
1950
1951
1952
1953
YEARLY AVERAGES
Rediscount Rate
Municipal Bonds
Utility Bonds
Preferred Stocks*
Utility Common Stocks
1915
1920
1925
1930
1935
1940
1945
1950
1955
* Includes other preferred stocks in addition to utilities.
Standard & Poor's Index figures used.

increase of about 14 per cent. Sales of gas refrigerators responded satisfactorily to the increased promotional effort put behind the new designs and the improved models. Sales of gas all-year air-conditioning units also advanced over the previous year's sales. Good gains were reported in sales of the newer appliances.

THE accompanying chart illustrates the gas industry's rapid increase in sales during the postwar period. The recent AGA report on "Gas Requirements and Supplies of the Gas Utility and Pipeline Industry" estimates that total sales will increase 26 per cent during the 3-year period 1954-56, over the 1953 estimated sales of 57 billion therms. This is based on an estimated increase of 55 per cent in space-heating sales. Residential space-heating customers are expected to number over 16,000,000 in 1956, an increase of 38 per cent over the 1952 total. This gain will be largely in the North where the degree of saturation is much less than in the South. Residential space heating is expected to account for 23 per cent of total gas sales in 1956, compared with less than 20 per cent in 1952.

Total available supply in the 1956-57 heating season is currently estimated at 402,000,000 therms as compared with the peak-day requirement of 374,000,000 therms. Including company use of gas, there might be a slight deficiency of 1-2,-000,000 therms.



Source: American Gas Association

PUBLIC UTILITIES SECURITIES OFFERED FOR SUBSCRIPTION AND/OR SALE (000 omitted)

	January 1 to December 31, 1953					January 1 to December 31, 1952				
	Total	Electric Companies	Gas Companies	Telephone and Telegraph Companies	Other Companies	Total	Electric Companies	Gas Companies	Telephone and Telegraph Companies	Other Companies
Long-Term Debt										
Offered Publicly	$1,525,850	$ 964,200	$ 231,650	$130,000	-	$1,290,054	$ 889,500	$275,754	$125,000	-
Offered through Subscription	670,541	-	67,797	602,544	-	529,399	30,745	-	498,656	-
Offered Privately	1,150,540	640,800	435,265	34,725	$39,550	579,075	197,277	306,954	65,245	$11,619
Total	$3,146,931	$1,605,000	$ 734,712	$767,269	$39,550	$2,398,528	$1,117,520	$582,688	$686,901	$11,619
Preferred Stock										
Offered Publicly	$ 264,910	$ 162,260	$ 85,000	$ 7,400	$10,250	$ 248,150	$ 150,905	$ 73,120	$ 21,100	$ 3,025
Offered through Subscription	32,112	11,969	19,843	300	-	43,593	30,393	13,000	-	-
Offered Privately	58,405	49,300	6,500	-	2,605	21,367	20,017		1,000	350
Total	$ 355,427	$ 223,529	$ 111,343	$ 7,700	$12,855	$ 312,910	$ 201,315	$ 86,120	$ 22,100	$ 3,375
Common Stock										
Offered Publicly	$ 518,872	$ 202,997	$ 84,650	$ 30,997	$ 228	$ 255,905	$ 166,652	$ 51,054	$ 14,555	$ 1,662
Offered through Subscription	459,867	334,059	89,019	36,789	-	368,855	269,656	69,925	27,870	1,404
Total	$ 778,739	$ 537,056	$ 173,669	$ 67,786	$ 228	$ 602,758	$ 436,308	$120,979	$ 42,405	$ 3,066
Total Financing	$4,280,697	$2,365,585	$1,019,724	$842,755	$52,633	$3,314,196	$1,754,943	$789,787	$751,406	$18,060
SEGREGATION OF FINANCING - BY PURPOSE										
Total Refundings	$ 54,461	$ 15,742	$ 17,572	$ 600	$20,507	$ 106,899	$ 10,692	$ 90,059	$ 5,968	-
Total Divestments	$ 10,668	$ 2,257	$ 8,451	-	-	$ 58,767	$ 13,570	$ 45,197	-	-
New Money										
Long-Term Debt	$3,100,857	$1,595,900	$ 719,065	$766,669	$19,225	$2,296,886	$1,115,755	$486,296	$685,216	$11,619
Preferred Stock	348,545	213,887	111,343	7,700	12,615	302,960	195,648	86,120	19,817	3,375
Common Stock	766,148	534,619	163,315	67,786	228	548,884	421,278	82,135	42,405	3,066
Total New Money	$4,215,548	$2,347,606	$ 993,721	$842,155	$32,066	$3,148,730	$1,730,681	$654,551	$745,438	$18,060
Total Financing	$4,280,697	$2,365,585	$1,019,724	$842,755	$52,633	$3,314,196	$1,754,943	$789,787	$751,406	$18,060
SEGREGATION OF FINANCING - BY TYPE										
Competitive Bidding	$1,498,477	$1,133,806	$ 234,671	$130,000	-	$1,364,552	$ 963,198	$276,354	$125,000	-
Negotiated Sales	$ 411,155 *	$ 195,651	$ 166,628	$ 38,398*	$10,478	$ 407,555 *	$ 243,659 *	$123,574	$ 35,635	$ 4,687
Subscription										
Competitive Bidding	$ 151,758	$ 97,558	$ 34,220	-	-	$ 69,528	$ 69,528	-	-	-
Negotiated Sales	329,556	202,805	115,759	$ 10,772	-	228,505	199,120	$ 27,979	-	$ 1,404
No Underwriting	701,226	45,685	26,661	628,860	-	645,616	62,144	54,946	$526,526	-
Total Subscriptions	$1,182,520	$ 346,028	$ 176,660	$639,632	-	$ 941,647	$ 330,792	$ 82,925	$526,526	$ 1,404
Private Sales	$1,208,745	$ 690,100	$ 441,765	$ 34,725	$42,155	$ 600,442	$ 217,294	$306,954	$ 64,245	$11,969
Total Financing	$4,280,697	$2,365,585	$1,019,724	$842,755	$52,633	$3,314,196	$1,754,943	$789,787	$751,406	$18,060

Ebasco Services Incorporated
Corporate Finance Department

* Includes 1,500 shares sold without underwriting.

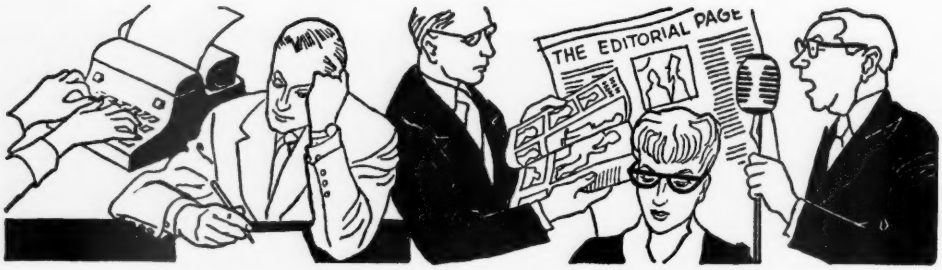
RECENT FINANCIAL DATA ON GAS UTILITY STOCKS

Moody Rating	1952 Rev. (Mill.)			1/13/54 Price About	Dividend Rate	Approx. Yield	Share Earnings* Current Period	% Increase	12 Mos. Ended	Price-Earns. Ratio	Div. Pay-out
			Pipelines								
—	$ 3	O	Alabama-Tenn. Nat. Gas	12	$ .60	5.0%	$1.35	14%	Sept.	8.9	44%
Ba	9	O	East Tenn. Nat. Gas	9	—	—	.59	44	Sept.	15.3	—
—	34	S	Mississippi Riv. Fuel	38	2.20	5.8	2.70	D17	Sept.	14.1	81
A	52	S	Southern Nat. Gas	30	1.40	4.7	2.19	3	Sept.	13.7	64
A	104	O	Tenn. Gas Trans.	23	1.40	6.1	1.62	14	Sept.	14.2	86
—	94	O	Texas East. Trans.	19	1.00	5.3	1.00	11	Sept.	19.0	100
—	47	O	Texas Gas Trans.	17	1.00#	5.9	1.52	21	Sept.	11.2	66
—	52	O	Transcontinental Gas	23	1.40	6.1	1.77	38	Sept.	13.0	79
			Averages			5.6%				13.7	
			Integrated Companies								
—	102	S	American Natural Gas	40	$2.00	5.0%	$3.55	64%	Sept.	11.3	56%
—	17	O	Colorado Interstate Gas	37	1.25	3.4	1.46	NC	Sept.	—	86
A	204	S	Columbia Gas System	13	.90	6.9	.76**	D15	Sept.	17.1	118
—	9	O	Commonwealth Gas	11	(a)	4.0a	.41	D53	Dec.	—	—
—	8	A	Consol. Gas Util.	13	.75	5.8	1.07	D25	July	12.1	75
Aaa	174	S	Consol. Nat. Gas	55	2.50	4.5	4.02	D14	Sept.	13.7	62
—	78	S	El Paso Nat. Gas	37	1.60	4.3	3.01	38	Nov.	12.3	53
A	29	S	Equitable Gas	23	1.40	6.1	1.88	3	Sept.	12.2	74
Baa	10	O	Kansas-Neb. Nat. Gas	25	1.20	4.8	1.64	D15	Dec.	15.2	73
—	63	S	Lone Star Gas	24	1.40	5.8	1.53	2	Sept.	15.7	92
Baa	18	S	Montana-Dakota Utilities	20	.90	4.5	.98	29	Sept.	—	93
A	13	O	Mountain Fuel Supply	21	1.00	4.8	1.32	7	Sept.	15.9	76
Aa	46	A	National Fuel Gas	17	1.00	5.9	1.28	—	Sept.	13.3	78
A	47	S	Northern Nat. Gas	41	1.80	4.4	2.40	45	Sept.	17.1	75
—	30	A	Oklahoma Nat. Gas	20	1.20	6.0	.94**	D40	Oct.	21.3	128
A	92	S	Panhandle East. P. L.	73	2.50#	3.4	4.89	18	Sept.	14.9	51
—	8	O	Pennsylvania Gas	16	.80	5.0	1.79	D1	Dec.	8.9	45
A	123	S	Peoples Gas Lt. & Coke	138	6.00	4.3	9.44	20	Sept.	14.6	64
A	21	O	Southern Union Gas	18	.80	4.4	1.18	11	Dec.	15.3	68
A	159	S	United Gas Corp.	28	1.25	4.5	1.93	52	Sept.	14.5	65
			Averages			4.9%				14.2	
			Retail Distributors								
Baa	18	A	Alabama Gas	17	$ .80	4.7%	$1.31	7%	Sept.	13.0	61%
A	28	O	Atlanta Gas Light	22	1.20	5.5	1.81	12	June	12.2	66
—	4	O	Bridgeport Gas Light	23	1.40	6.1	1.72	24	Sept.	13.4	81
A	44	S	Brooklyn Union Gas	27	1.50	5.6	1.64	D18	Sept.	16.5	91
—	25	O	Central Elec. & Gas	13	.80	6.2	1.00	—	Sept.	13.0	80
—	6	O	Hartford Gas	37	2.00	5.4	2.07	D13	Dec.	17.9	97
—	11	O	Houston Nat. Gas	22	1.00	4.5	2.02	53	July	10.9	50
A	10	O	Indiana Gas & Water	25	1.40	5.6	1.96	13	Oct.	12.8	71
Baa	5	A	Kings Co. Lighting	11	.70	6.4	1.00	6	Sept.	11.0	70
Baa	30	S	Laclede Gas	10	.60	6.0	.98	7	Sept.	10.2	61
—	3	O	Michigan Gas Utils.	14	.80	5.7	.64	D24	Dec.	—	125
—	24	O	Minneapolis Gas	25	1.20	4.8	1.37	21	Sept.	18.2	88
—	6	O	Mississippi Valley Gas	19	1.00	5.3	1.97	NC	Sept.	9.6	51
—	7	O	Mobile Gas Service	17	.90	5.3	1.54	17	Sept.	11.0	58
—	6	O	New Haven Gas Light	27	1.60	5.9	1.43	D7	Dec.	18.9	112
—	139	S	Pacific Lighting	35	2.00	5.7	2.51	16	Sept.	13.9	80
Baa	12	O	Portland Gas & Coke	21	.90	4.3	1.81	D1	Sept.	11.6	50
—	7	A	Providence Gas	8	.32	4.0	.34	D6	Dec.	—	94
—	3	A	Rio Grande Valley Gas	2¼	.12	5.3	.22	38	June	10.2	55
Ba	5	O	Seattle Gas	20	.80	4.0	1.23	1	Sept.	16.3	65
Baa	6	O	South Jersey Gas	19	1.00	5.3	1.23	22	June	15.4	81
—	5	O	Springfield Gas Light	29	1.80	6.2	1.93	18	Dec.	15.0	93
A	21	S	United Gas Improvement	34	1.80	5.3	2.25**	8	Sept.	15.1	80
Aaa	31	S	Washington Gas Light	31	1.80	5.8	1.97	2	Sept.	15.7	91
—	3	O	West Ohio Gas	13	.80	6.2	1.01	23	Mar.	12.9	79
			Averages			5.3%				14.0	
			Canadian								
—	15	S	International Utilities	30	$1.40	4.7%	$1.87	—	Sept.	16.0	75%

RECENT FINANCIAL DATA ON TELEPHONE, TRANSIT, AND WATER COMPANIES

Moody Rating	1952 Rev. (Mill.)			1/13/54 Price About	Dividend Rate	Approx. Yield	Share Earnings* Current Period	% Increase	12 Mos. Ended	Price-Earns. Ratio	Div. Pay-out
			Communications Companies								
			Bell System								
Aa	$4,040	S	Amer. Tel. & Tel. (Cons.)	157	$9.00	5.7%	$11.47**	1%	Aug.	13.7	78%
Baa	185	A	Bell Tel. of Canada	41	2.00	4.9	2.35	40	Dec.	17.4	85
—	29	O	Cin. & Sub. Bell Tel.	70	4.50	6.4	4.61	1	Dec.	15.2	98
Aa	127	A	Mountain States T. & T.	109	6.60	6.1	7.03	52	Sept.	15.5	94
Aa	220	A	New England T. & T.	118	8.00	6.8	7.48	7	Sept.	15.8	107
Aa	536	S	Pacific Tel. & Tel.	115	7.00	6.1	7.44**	D10	Nov.	15.5	94
—	68	O	So. New England Tel.	34	1.80	5.3	1.93	26	Dec.	17.6	93
			Averages			5.9%				15.8	
			Independents								
—	10	O	Central Telephone	16	$. 90	5.6%	$1.69	35%	Oct.	9.5	53%
—	2	O	Florida Telephone	12	.80	6.7	.99	1	Dec.	12.1	81
Ba	101	S	General Telephone	46	2.20	4.8	3.85	75	Nov.	11.9	57
—	4	O	Inter-Mountain Tel.	13	.80	6.2	.88	31	Dec.	14.8	91
—	12	S	Peninsular Tel.	31	1.60	5.2	2.10	29	Sept.	14.8	76
Aa	15	O	Rochester Tel.	14	.80	5.7	1.57	NC	Aug.	8.9	51
—	2	O	Southeastern Tel.	12	.80	6.7	1.18	79	Dec.	10.2	68
—	6	O	Southwestern Sts. Tel.	18	1.00	5.6	1.72	41	June	10.5	58
—	28	O	Telephone Bond & Share	17	—	—	1.52	NC	Sept.	11.2	—
—	15	O	United Utilities	17	1.00	5.9	1.64	10	Sept.	10.4	61
Ba	195	S	Western Union Tel.	40	3.00	7.5	1.04	D79	Dec.	—	288
			Averages			6.0%				11.4	
			Transit Companies								
Baa	29	A	Capital Transit	13	$1.60	12.3%	$1.16	4%	Aug.	11.2	138%
—	9	O	Dallas Ry. & Terminal	12	1.40	11.7	2.32	D6	Dec.	5.2	60
—	229	S	Greyhound Corp.	14	1.00	7.1	1.33	6	June	10.5	75
—	25	O	Los Angeles Transit	11	1.00	9.1	1.15	46	Dec.	9.6	87
—	31	S	National City Lines	17	1.40	8.2	1.86	D3	Dec.	9.1	75
Ba	71	O	Philadelphia Transit	4	—	—	Deficit	—	Dec.	—	—
—	7	O	Rochester Transit	3½	.10	2.9	.26	D77	Dec.	13.5	38
—	27	O	St. Louis P. S. A.	14	1.40	10.0	.91	189	Dec.	15.4	154
Ba	17	S	Twin City R. T.	14	1.60	11.4	—	—	Dec.	—	—
—	24	O	United Transit	4½	—	—	.56	33	Dec.	8.0	—
			Averages			9.1%				10.3	
			Water Companies								
			Holding Companies								
—	29	S	American Water Works	10	$ .50	5.0%	$1.14	75%	Sept.	8.8	44%
—	6	O	New York Water Service	62	.80	1.3	2.37	25	June	26.2	34
			Operating Companies								
—	3	O	Bridgeport Hydraulic	30	$1.60	5.3%	$1.62	D7%	—	18.5	99%
A	9	O	Calif. Water Service	34	2.20	6.5	3.20	40	Nov.	10.6	69
—	2	O	Elizabethtown Water	104	5.00	4.8	6.94	D9	Dec.	15.0	72
Aa	7	S	Hackensack Water	35	1.70	4.9	2.42	D6	Dec.	14.5	70
A	4	O	Jamaica Water Supply	31	1.80	5.8	2.97	D1	Sept.	10.4	61
—	3	O	New Haven Water	57	3.00	5.3	2.76	D5	Dec.	20.7	109
—	1	O	Ohio Water Service	23	1.50	6.5	1.99	13	Sept.	11.6	75
—	6	O	Phila. & Sub. Water	50	1.00	2.0	4.69	—	Dec.	10.7	21
—	1	O	Plainfield Union Water	55	3.00	5.5	3.98	D2	Dec.	13.8	75
—	2	O	San Jose Water	35	2.00	5.7	2.42	13	July	14.5	83
A	9	O	Scranton-Springbrook	15	.90	6.0	1.17	D4	Sept.	12.8	77
A	3	O	Southern Calif. Water	11	.65	5.9	.90	36	Sept.	12.2	72
—	3	O	West Va. Water Service	35	1.20	3.4	1.41	16	Sept.	—	85
			Averages			5.2%				13.8	

A—American Stock Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. D—Decrease. *Earnings are calculated on present number of shares outstanding, except as otherwise indicated. **On average shares outstanding. #Includes stock dividend. (a)—Paid 4 per cent stock dividend. NC—Not comparable.



What Others Think

NRECA Convention Hears Attack on Federal Power Monopoly

DELEGATES to the twelfth annual conference of the National Rural Electric Co-operative Association, held in Miami, Florida, last month, got a slight jolt when a guest speaker attacked NRECA's leadership as the spark plug in a crusade for a federal monopoly of the electric power business. The speaker was Assistant Secretary of Interior Fred G. Aandahl, who undertook to defend the administration's new power policies in the opposition's own back yard.

Aandahl started off by quoting a statement by Clyde T. Ellis, executive manager of NRECA, in which Ellis complained that appeals to Congress over the past year have failed to "impress upon the members that the government has assumed the responsibility of wholesale power supply and, therefore, must prepare to carry out its program and meet the demands of the area." Aandahl followed this up by quoting a memorandum on power policy issued by former Secretary of Interior Ickes in 1946. "Active assistance," Ickes wrote, "from the very beginning of the planning and authorization of a project, shall be given to the organization of public agencies and co-operatives for the distribution of power in each project area. The statutory objectives are not attained by merely waiting for a preferred customer to come forward and offer to purchase the power."

What all this amounts to, said Aandahl, is a strong trend toward federal monopoly of the electric power business. "We know that the Tennessee valley is just about completely federalized," he said. "This very apparent trend unless stopped could do the same thing in Interior's four power-marketing agency areas. That trend is not in the best interests of the American people."

THE Eisenhower administration's power policy, announced last August, clearly describes the federal government's proper function in developing the water resources of the nation, Aandahl told the convention. It includes the construction of generating facilities in hydro plants under Interior's jurisdiction when such facilities are economically justified and feasible. In addition, it commits the department to construction of multipurpose hydro projects which are beyond the means of local, public, or private enterprise. Aandahl noted that Interior has submitted a report to Congress on the Fryingpan-Arkansas project and to the Bureau of the Budget on the mammoth Upper Colorado storage project. More-

over, Interior has authorized proceeding with construction of the Missouri diversion dam below Fort Peck and is about to submit a joint report with the Army Corps of Engineers on further development of the Middle Snake river in Idaho, including the Mountain Sheep project for the Bureau of Reclamation. This is a positive and affirmative policy, Aandahl said, which nevertheless recognizes that the hydro power that comes from multipurpose projects or closely associated single-purpose hydro plants, should be the limit of federal responsibility.

The administration's power policy, Aandahl continued, "recognizes that the federal government now is supplying only about 12 per cent of the nation's electric power and that any attempt to create a federal monopoly or drive out local private or public enterprise is contrary to proven American standards and a hazard to the economic prosperity of the people." The government's invitation for local cooperation in meeting power needs has been met with a desire and enthusiasm from local groups to do all that is needed to supply ample power. Aandahl pointed to the Pacific Northwest, "where all we have heard is a story of power shortage that must be supplied mostly by the federal government, local interests, about half public and half private, have taken the initial steps to start the construction of 4,150,000 kilowatts of generating capacity. The new power policy is bringing wholesome results."

The Preference Clause

With respect to the preference clause, Aandahl repeated his remarks made before the House Committee on Interior Affairs, January 5th. At that time, Aandahl noted that the preference clause for the sale of federal power is written into several different statutes. While most of them are much the same, a few have specific differences and it would be incorrect, in Aandahl's opinion, to say that Congress meant the same in all of them. Interior's new power policy provides that any power remaining after provision for existing preference customers will be sold to private utilities serving domestic and rural customers in the area, but no stipulation is given as to whether this means just the immediate needs of the preference customers, their requirements for ten years' growth or for a period greater than ten years. Interior believes that these are matters that can better be worked out by contract negotiation and detailed criteria in each area.

The Bonneville Project Act of 1937 is the only federal statute that makes the withdrawal clause a part of its preference, Aandahl pointed out. Congress, both before and after the Bonneville Act, passed other statutes providing for preference without the withdrawal clause requirement. It is the lack of this requirement in power contracts now being negotiated in the Missouri basin that has brought the most criticism from rural electric co-operatives in the area. Aandahl said:

> The withdrawal requirement establishes more than preference. It sets up a sizable element of exclusive right. To not recognize that there are some circumstances under which power in excess of the needs of preference customers can be sold to non-preference customers without the withdrawal provision is to say to the people of local communities that they must change the retail system that is acceptable to them, or that has been set up by them, and establish themselves as preference customers if they want to share permanently in any way in the benefits of the federal power that is generated in their area. Exclusive right in perpetuity to the extent of all future needs surely is not the meaning of the preference law as generally used. The sev-

eral long-term contracts made by the department in the past without the withdrawal provision are evidence of the above interpretation. (See page 135, this issue.)

PRIOR to February 1, 1953, Interior had about 1,400,000 kilowatts of power contracted to nonpreference customers without the withdrawal clause, Aandahl revealed. Although the new Missouri basin marketing criteria recognizes circumstances under which the withdrawal clause is justified, no further such commitments have been made since the new administration took office. "Were you to read Mr. Clyde T. Ellis' address given at Portland, Oregon, November 17th," Aandahl commented, "you would most likely conclude that the new 20-year contracts with private utilities give them power that is needed by preference customers. That is not correct. The new 20-year contracts with private utilities in the Bonneville area provide for only the residue of power that is left after the full requirements of the preference customers, both present and future, have been met, except for industrial loads in excess of 10,000 kilowatts."

Declaring the 20-year contracts in the Pacific Northwest and the Missouri basin power-marketing criteria as the best way to provide for the needs of preference customers within the letter and spirit of the law, Aandahl called on the REA co-ops to co-operate with the Interior Department "in a more reasonable program of federal power built around such amounts as come logically with wise water resource development."

"I am deeply disturbed," he stated, "when I see those who even at this early stage are crusaders for a federal power monopoly try to use the rural electric cooperatives and their associations to foster federal monopoly." He added that REA co-ops could do much to promote co-ordination and local responsibility and full integration of area resources, thereby holding down government expenditures and strengthening the tax base.

REA Problems

THE NRECA convention also heard REA Administrator Ancher Nelsen warn that too much emphasis should not be placed on the fact that only 21 REA borrowers were delinquent in payments of principal and interest for more than thirty days as of the end of 1953. Although such delinquency is less than one-tenth of one per cent of the amount due, said Nelsen, actually a too large percentage of all REA borrowers are currently operating "in the red" on an accrual basis. Nelsen told the delegates he was concerned, but not alarmed, by the situation. He recommended a careful process of self-analysis to determine the cause and the scope of the difficulty with a view to evolving a well-planned course of action to work out a solution and to assure the soundness of the co-operative in the future.

Nelsen reiterated his belief that REA's authority to make loans for the construction of generating plants and transmission lines must be preserved, but added that the "best way to preserve it is to use it wisely." In applications for generating loans, REA must be shown conclusively that (1) the energy is not available from any existing source; (2) that the proposed generating plant can produce energy at a lower cost than it could be obtained from any other source; (3) that the output of such plant will be used mainly for supplying energy for use in rural areas. These criteria, Nelsen noted, were laid down by the first REA Administrator, Morris L. Cooke. In addition, he said, due attention must be given to the soundness of loan studies and construction cost estimates; possible advantages from interconnection of systems

for emergency or stand-by, or sales of power to, or purchases from, others; exchanges of energy; and base loading and peaking arrangements. "All these factors are to be soberly considered and weighed not from the viewpoint of controversy, or propaganda, or special interests, or partisan politics, but from the viewpoint of the farmer who must ultimately pay the bill through the use of electricity on the farm," Nelsen stated.

"It becomes increasingly apparent that the future power supply cannot be adequately developed by agitated controversy, by distrust of one another, or by policies that make long-range planning difficult or even impossible," Nelsen told the delegates. "Healthy, normal, and economically sound growth can be brought about by farmers, REA, Interior, municipalities, and commercial utilities sitting down around a conference table—planning the future and forgetting the past. No one segment of the industry can do the job alone. Each can make contributions of needed facilities and still maintain independence and freedom of action. . . . Only in this way will we be able to meet a difficult problem and arrive at the solution we want—low-cost power." Nelsen suggested that great benefits could be accomplished by power supply committees set up in each state or area working toward sound and proper objectives through an industry-wide approach. Co-operatives in some sections of the country have already acted, Nelsen said, with good results.

The Opposition Speaks

OTHER speakers at the convention included Senator Burnet R. Maybank of South Carolina and Representative Chet Holifield of California, both Democrats. Maybank charged that the Eisenhower administration is planning to undercut the rural electrification program by holding down its loan authority. He said there are "dependable rumors that the administration's request for REA loan funds for the coming year will be so low that acceptance . . . will effectively kill the generation and transmission program." Maybank mentioned no figures, but said the administration's plans would demolish the REA Act provision for G-T loans in cases where "you could generate your own power any time you could do so and make a saving."

Holifield called for legislative action to support President Eisenhower's proposal for an international atomic energy agency for peace and said such an act should come before any other amendments to the Atomic Energy Act. The Californian said Congress "would be extremely ill-advised to consider in one package legislative amendments to further the President's plan and to promote private atomic industry." Discussing the relationship between atomic and other power policies, Holifield told the delegates that today "there is a massive head-on assault against the public power policies that enable your rural electric systems to live and grow and prosper . . ." The assault, he charged, comes from the administration in office and from those in Congress who block appropriations for needed projects, as well as from the lobbying organizations of the private utilities "rushing in for the kill with a desperate cry of 'now or never' . . ." Holifield was particularly critical of the Hoover Commission on Government Reorganization, commenting that the private utilities have "many friends in court," in reference to the commission's task force on water and power resources. He called for public hearings because the task force "is loaded against public power."

THE resolutions passed at the convention clearly indicate that NRECA's

leadership is nowhere near an accord with the administration's views on power policy.

AMONG other things, the delegates (1) endorsed the Jackson Bill prohibiting the Federal Power Commission from granting hydro dam licenses when the projects "are inconsistent with comprehensive development of the entire river basin involved"; (2) opposed any increase in interest rates on electric and telephone loan funds; (3) condemned the new power policy and power-marketing criteria of the Interior Department; (4) urged retention and protection of the "preference" clause in natural resources legislation; (5) opposed the bus bar sale of power from Clark Hill dam to the Georgia Power Company; (6) asked Congress to enact "positive legislation" to protect public "preference" in the development of hydro power on the St. Lawrence and Niagara rivers; (7) requested "adequate" continuing funds for the Southwestern Power Administration and Southeastern Power Administration "to enable them to honor existing contracts with preference agencies . . ."; (8) called for continued appropriations to supplement, and advance, and continue developments by the Tennessee Valley Authority; (9) denounced all proposals to sell federal power projects to private utilities.

Notes on Recent Publications

NEW ANALYSIS OF TVA. How much have the taxpayers of the United States invested in TVA? Why are TVA power rates not comparable with those of private utilities? *What are the ingredients of federal subsidy to TVA power?* These and other critical questions are to be answered in a new analysis being prepared by the U. S. Chamber's natural resources department. The report on the continuing cost of TVA will bring up to date an earlier analysis of TVA costs published in 1948.

The public is generally unaware of TVA's power empire and how much money has gone into it. Little attention has been given to the conduct of TVA's nonpower operations and whether they duplicate the functions of other agencies. Much emphasis has been placed, however, on the claim that TVA power has netted the taxpayers an average return on their investment of more than 4 per cent. The latest analysis by the chamber will show where every dollar has gone, what returns are actually being realized, and why TVA "profits" are unreal when full costs are accounted for.

The timeliness of this report is indicated by the crucial test that may come in the next session of Congress on the future of TVA. It is certain that the TVA "defense corps" will press for appropriations for a new TVA steam-electric plant, turned down at the last session. It is likely, also, that defenders of the system will oppose legislative action to break the TVA monopoly on the power supply available to municipalities and co-operatives in the TVA area. Representative Dondero (Republican, Michigan), chairman of the House Public Works Committee, has sponsored a bill, HR 6716, to amend § 10 of the TVA Act so that local distributors will no longer be bound by the "sole supplier" clause of TVA contracts.

The chamber's newest accountancy review of nineteen years of TVA operations will assist in shaping sound opposition to federal regional authorities, government competition with private enterprise, and authoritarian control of a local economy by big government. It will help support congressional and other efforts to re-examine the government policies and philosophies under which TVA operates.

The Continuing Cost of TVA. Chamber of Commerce of the United States, 1954. Price $1 per copy. Quantity rates available. 1614 "H" street, N.W. Washington, D. C.

The March of Events

New England-Gulf Pipeline

GAS industry representatives have agreed to look into the possibilities of a dual purpose natural gas pipeline linking the Gulf coast and the Northeast. They are expected to report their findings to the Petroleum Administration for Defense some time this month.

The industry executives held a 2-day meeting with PAD officials in Washington, D. C., last month. The upshot was that more information is needed as to the feasibility of the pipeline proposal.

Purpose of the pipeline scheme, which is backed by the National Security Council and the Office of Defense Mobilization, is to guarantee an uninterrupted source of crude oil to the East coast in the event of a war emergency. Although the line would ordinarily be used for shipping natural gas, it could quickly be switched to shipping crude oil.

Synthetic Fuel Research Continues

SECRETARY OF INTERIOR McKay said recently the government would continue research in transforming coal and oil shale into liquid fuels but would undertake no further big-scale production projects.

The Synthetic Liquid Fuels Act of 1944 authorized the Interior Department's Bureau of Mines to develop and operate plants for getting oil out of coal and shale.

A big-scale pilot plant was built at Rifle, Colorado, for "retorting" oil shale. It will continue in operation for a while but as an exception to the rule announced by McKay. Henceforth, he said, the bureau will emphasize "fundamental laboratory and pilot plant research," leaving to private industry any commercial production that may prove feasible.

California

Tax Bonds for Feather River

GOVERNOR Knight has proposed that the issuance of California state general obligation bonds might be the quickest way to finance portions of the billion-dollar Feather river project, involving the largest system of water, flood-control, and hydroelectric works ever conceived for the state.

The financing proposal—the first from a high state official in connection with the project—was advanced by the governor

in addressing a local chamber of commerce dinner last month in Oroville.

Although noting that because general obligation bonds must be approved by the state's voters authorization "might be difficult to get," Knight pointed out that lower interest rates can be obtained on general obligation bonds than on revenue bonds.

The governor emphasized that interest rates on the huge project assume great importance "because the more interest we have to pay, the more we will have to charge for the water and power furnished by the project."

Feather river project plans, as authorized by the 1951 California legislature, call for a 710-foot dam near Oroville to store 3,500,000 acre-feet of water and a canal system to take several million acre-feet of water to southern California. Engineers estimate it would require 368 miles of concrete-lined canal, 65 miles of concrete-covered conduit, and 117 miles of tunnels to deliver the water as far south as San Diego county.

Idaho

Phone-Power Authority Bill Blasted

THE "electric power and communications initiative act," for which signatures are now being solicited throughout Idaho, last month was called "unadulterated state Socialism of the worst type" by the Idaho State Chamber of Commerce in an all-out attack on the proposal.

Sponsors of the initiative are attempting to obtain and file with the secretary of state, before July 2nd, approximately 27,500 signatures asking that the November ballot carry the proposal to establish a 5-man commission to acquire and operate established power and communication companies or construct new systems, the state chamber secretary said.

The bill, if approved, would carry an initial appropriation of $200,000 and authorize issuance of revenue bonds to finance the state's utility business.

"We cannot believe that the sponsors of this proposed law, aimed at taking over the electric power and communication systems of Idaho, removing them from the tax rolls and putting the patrons of these essential services at the mercy of five elected commissioners, have carefully read the proposal through or fully understand the drastic and destructive implications of the approximately 6,000 words in the fine print of the petition that they are asking the signers to endorse," the state chamber statement declared.

The statement said that the proposed law does not define communication systems and claimed that a reasonable interpretation would include telephone, telegraph, radio and TV, and possibly newspapers and press services.

Minnesota

Telephone Rates Increased

THE state commission last month authorized the Northwestern Bell Telephone Company to increase rates by $3,405,000 in additional gross revenues annually. The company had requested a $3,910,259 increase, based on a settlement of wage increases which increased Minnesota intrastate operating costs by

$1,453,454. These costs were incurred by connecting companies in originating and terminating long-distance calls, and the expansion and improvement to its Minnesota plant during 1953.

The commission found that the increased rates would produce a return of 6.29 per cent on the fair value of the Minnesota intrastate properties. It pointed out that of the $3,405,000 increase, taxes will absorb $1,898,079, and after deducting uncollectibles and licensee fees, the company will realize a net of $1,467,171.

New Mexico

Higher Electric Rates

A NEW tariff designed to bring Public Service Company electric rates up in the amount of $312,000, as previously authorized, was recently approved by the state public service commission.

The commission said the new rates mean the average residential customer in Albuquerque and Belen will pay about 50 cents more a month for electricity. Las Vegas customers will get a slight reduction and Santa Fe rates will remain virtually unchanged. The commission said this is because rates in the latter two cities have been higher than basic rates in the Albuquerque and Belen divisions.

Pennsylvania

Rates Reduced on Gas Switch

THE state public utility commission last month authorized the Citizens Gas Company, Stroudsburg, to cut rates of 2,293 customers in the Stroudsburg-East Stroudsburg area an estimated $20,500 annually on five days' notice.

The utility said that its switch from manufactured to straight natural gas will permit reductions of up to 40 per cent. Conversion from propane air-type gas already has been made, the commission was informed.

Washington

State Agency Formed

PUBLIC power forces from a score of Washington's public utility districts and municipal systems joined last month in organizing Washington state operating agency No. 1 — the nation's first such partnership for generating and distributing power.

Representatives of 23 public power systems in the state attended the one-day organizational meeting in Ellensburg.

All but four of the public utilities indicated readiness to sign a petition seeking formal approval of the operating agency by the new Washington State Power Commission.

Two of the four said they would join the agency as soon as the necessary board meetings are held. They are the Clark and Franklin County Public Utility districts. The city of Cashmere also sent word it would participate.

The agency seeks broad authority to build power dams, transmission lines, and distribution systems.

Progress of Regulation

Rates Fixed within Zone of Reasonableness

A TELEPHONE company had applied to the Wisconsin commission for an increase in rates, claiming that additional revenue was needed to cover wage increases and increased depreciation expenses.

The state commission found the proposed rate base excessive. Estimates of plant in service were not based on detailed construction schedules, and the approximate level of the depreciation at the end of the period had not been estimated.

Having arrived at what it considered a reasonable net investment cost rate base, the commission decided that a return of 6.52 per cent was fair and reasonable. The fact that the return in two exchanges exceeded the company-wide return did not make the rates excessive. There is a zone of reasonableness, commented the commission, within which rates can be found. This zone lies somewhere between the lowest rate that is not confiscatory and the highest rate that is not excessive or extortionate. *Re Urban Teleph. Co. 2-U-4105, December 17, 1953.*

System-wide Rate Making Unsupported by Record

THE United States Court of Appeals reversed and remanded an order of the District of Columbia commission authorizing the Potomac Electric Power Company to increase local rates, because of failure to justify the use of a system-wide basis for rate making. The company serves not only the District of Columbia, to which the commission's jurisdiction is limited, but also parts of Virginia and Maryland where its rates are subject to regulation by other commissions.

The commission found the rate base by evaluating the total system properties, ascertained its revenue needs on a system-wide scope, determined the rate of return required to meet those needs, and then approved, for the District alone, rate schedules which, as applied throughout the system, would net the required revenues. A transit company, as a customer, appealed on the ground that the commission had failed to segregate costs and revenues applicable to the business in the District, separate and apart from those applicable in other jurisdictions. It claimed, therefore, that the rates fixed for the District could not be said to be "reasonable, just, and nondiscriminatory," the standards prescribed by the local statute.

Unit for Rate Making

The court conceded that it is not always essential to segregate properties, costs, or revenues in order to fix local rates merely because the total properties and services extend to other jurisdictions. But, it held, in the absence of such segregation the commission must make a definite finding, supported by evidence, that the economic conditions in the area served are substantially the same with respect to all features bearing upon the reasonableness of the rates, and that the areas are intimately bound together. This the District commission failed to do.

The court said that even if it were to assume that the evidence would support such findings, the commission itself should first make them on the basis of its own consideration of the evidence. The commission did state that the record indicated that it was desirable and equitable to extend the rates to both the Virginia and Maryland territories. But the court did not feel justified in translating these general statements either into findings of similarity of costs and revenues throughout the zone or into other terms which would support the reasonableness of the rates.

Return

Two of the three judges agreed that the record failed to support the commission's conclusion that a return of 5½ per cent was reasonable. Court decisions require the commission to make findings as to the return necessary to service outstanding funded debt and preferred stock and to attract investors in common stock. The return on funded debt, preferred stock, and common stock in other public utilities having a similar risk factor should also be considered.

The court said that if the commission had relied upon a return in an earlier case involving the same company, it should make findings as to whether pertinent local and economic conditions, and the risk factor, have remained static during the intervening period.

The argument that such findings are unnecessary because of the existence of a so-called "sliding-scale plan" was rejected. The sliding-scale plan makes provision for the possibility that actual earnings may prove higher or lower than anticipated in view of the return in effect. Under the plan, excess earnings are applied to building up a special reserve account as a protection against insufficient earnings in the future, but when the reserve account reaches a certain point, any further excess is refunded to consumers. The court noted that the sliding-scale plan thus operates in reference to earnings. It is not adapted to protecting ratepayers if the rate of return itself is excessive. *Capital Transit Co. v. Public Utilities Commission of District of Columbia et al. No. 11501, December 10, 1953.*

Court Upholds Telephone Service Denial

THE owner of a retail cigar store, unsuccessfully sought an order from the New York Supreme Court compelling a telephone company to install telephone service on his premises. The applicant had been arrested a number of times and charged with conducting bookmaking operations. None of the arrests had terminated in a conviction. The company refused to install the telephone, claiming it had reason to believe the service would be used for gambling activities.

A telephone company, held the court, cannot be compelled to furnish service if it has good reason to believe the telephone will be used for illegal purposes. Previous

acquittals of bookmaking charges did not in and of themselves establish the applicant's right to the service. The standard of proof required for conviction on a criminal charge varies substantially from that required in a proceeding to compel installation of telephone service. The applicant had not established a clear legal right to the relief sought. *Lipton v. New York Teleph. Co. 125 NYS2d 251.*

Integration of Electric Divisions Authorized

THE New Mexico commission permitted the Public Service Company of New Mexico to integrate its electric system so as to charge uniform rates in Albuquerque, Las Vegas, and Santa Fe, but it granted the company only a portion of a requested rate increase. Rates yielding a return of 6.3 per cent were authorized.

By integration of its operating divisions the company will be able to operate its most economical stations and units at the highest level of efficiency for the longest period of time. Noting that it was compelled to exercise judgment in determining the possibilities or probabilities of economies under integrated operations, the commission said:

> Regrettably when human beings must make a judgment determination the door is wide open for the exercise of bad judgment as well as good judgment. The commission in ordering integrated operations for petitioner may be guilty of exercising bad judgment although the commission is of the opinion that its decision is based on reason and prudence. The commission, however—apparently unlike some self-appointed economists—is not omniscient. If it has erred in ordering an integrated electric system it finds itself in not undistinguished company in following its course. The history of electric utility regulation discloses that integrated operation of electric systems as productive of operating economies and better service has been favored by the Federal Power Commission and many state regulatory agencies which have previously been called upon to pass judgment in similar cases. So far as this commission has been able to ascertain the judgment of these commissions in ordering integrated operations has been vindicated under such integrated operations.

The company also furnishes water service. It claimed that its several operations should stand upon their own feet and that each should earn its own way. The commission agreed, but held that this did not mean that the water operations should also produce a 6.3 per cent return. Rates yielding a return of 6 per cent were allowed for the water division.

The commission pointed out that the company's water operations function within an entirely different environment. Electric customers have the option in most cases to turn to a different source of energy. Water customers have little choice. People can find substitutes for electricity, whereas no substitute for water has, as yet, been discovered. In some of its electric operations the company faces competition by other utilities. It has extremely limited competition in its water operations.

In the instant case, it was pointed out that equity owners and the holders of debt securities of a utility normally look to the prime operations of the company in appraising the quality of their investments. This company's prime operations are in the electric utility field. The commission said

that it should be assumed, therefore, that the equity owners and the holders of its debt securities appraise their investment in large measure on the company's electric operations.

Furthermore, financing required for increased water investment could be carried on out of funds on hand. Consequently, whatever urgency existed requiring the company to meet its debt coverage by an adequate margin was held not to exist in the same degree in its water operations as in its electric operations. The water operations comprise a relatively minor portion of the company's total investment and business. The water system is presently fairly adequate to meet present requirements, and no large-scale additions appear to be required to meet any estimated foreseeable future requirements. *Re Public Service Company of New Mexico, Case No. 396, November 24, 1953.*

Competition Forces Commercial Gas Rate Reduction

A COMPANY request to reduce commercial gas rates in three communities was granted by the Florida commission. Nonregulated fuels, sold at a lower rate, were biting deep into the company's revenue.

The proposed reduction would lower the company's return on its gas properties from 6.97 to 6.47 per cent. This return was considered just and compensatory, especially in view of the fact that the loss of commercial customers could result in an even lower rate of return. *Re Florida Pub. Utilities Co. Docket Nos. 3657-GU, 3937-GU, Order No. 1963, December 28, 1953.*

Other Important Rulings

DEFECTIVE *Application and Notice.* A commission order granting a contract carrier authority to transport products of two companies that had purchased certain plants of shippers served under previous authority was declared invalid by the Michigan Supreme Court, because the carrier did not file an application for such authority and because no notice was given or hearing held as to the addition of such companies to the carrier's authority. *G & A Truck Line, Inc. v. Michigan Pub. Utilities Commission, 60 NW2d 285.*

Service to Camp. The North Carolina commission dismissed a complaint to require certain railroads to provide passenger service to military camps, even though there had been a decided population growth in the affected areas, where such operations would be performed at a loss, where it was not established that public convenience and necessity required such service, as shown by past experience, and where the business of the railroad did not justify the service demanded. *Secretary of Navy v. Atlantic & E. C. R. Co. Docket Nos. R-10, Sub 6, R-1, Sub 54, R-4, Sub 10, December 2, 1953.*

Expense Estimate. The Maine commission was reluctant to base an estimate of a water company's future expenses solely upon averages of bygone years since there was no proof that the upward trend in the cost of materials, labor, and services had ended. *Re Penobscot County Water Co. FC No. 1415, November 17, 1953.*

Validity of Stock Sale. The sale of motor carrier stock without department approval is void and may not be ratified, declared the Massachusetts Department of Public Utilities, but where the contract of sale is executory, the transaction is not void and may be approved. *Re Short Line of Massachusetts, Inc. DPU 10606, DPU 10607, November 16, 1953.*

Subscriber Transfer. A petition by telephone subscribers to transfer to the lines of another company was denied by the Wisconsin commission where existing service was reasonably adequate and the loss of patronage would tend to impair both the usefulness of service and the financial ability of the company to render reasonably adequate service to its remaining patrons. *Kempen et al. v. Kaukauna Teleph. Co. et al. 2-U-4028, October 27, 1953.*

Overhead, Not Underpass. The Pennsylvania Superior Court approved a commission order authorizing construction of a highway over a railroad track, rather than an underpass, because of the savings to the state, saying that the estimates of competent engineers furnished a substantial basis for the administrative decision, even though the estimates were an approximation. *Borough of Atglen v. Pennsylvania Pub. Utility Commission, 100 A2d 138.*

Dangerous Crossing. The New Jersey board may properly order a railroad to abolish a crossing not authorized by the board, if such crossing endangers the safety of passengers and users. *Re Central R. Co. Docket No. 7446, November 24, 1953.*

Certificate Refused. Denial of a certificate to a carrier found unfit or unable to transport explosives, held a federal court, is not arbitrary or unreasonable if supported by substantial evidence, and the order will not be reversed merely on the carrier's promise to correct abuses and to abide by regulations in the future. *Hughes Transportation, Inc. v. United States (DC SC 1953) 115 F Supp 1.*

Air-mail Rates. The Civil Aeronautics Board may fix air-mail rates separately for different operating divisions of a carrier, ruled a federal court, but the end result of fixing rates must not go beyond that point where the total subsidy exceeds the statutory need of the carrier as a whole. *Summerfield et al. v. Civil Aeronautics Board et al. 207 F2d 207.*

Slow Service. Evidence that four businessmen were dissatisfied with the speed of service provided by existing carriers on a portion of a route did not constitute substantial evidence of inadequacy of existing service, justifying the authorization of competition, according to the Mississippi Supreme Court. *Campbell Sixty-six Express, Inc. v. Delta Motor Line, Inc. 67 So2d 252.*

Grade Crossings. The New Jersey board opposes the creation of new grade crossings over main and branch railroad lines and exerts every effort toward elimination of existing ones which present an undue hazard or impediment to highway traffic. *Re Borough of Jamesburg, Docket No. 7594, November 24, 1953.*

Grade Separation Cost. A New York court ruled that under the statute requiring the state to pay only for the elimination of dangers to the public arising from grade crossings, a determination as to the cost of railroad improvements, not an essential part of the elimination, could not legally be made until after the work was

completed and accepted. *Re New York Central R. Co. 122 NYS2d 636.*

New Route. An Interstate Commerce Commission order granting a motor carrier an alternate route between two cities for convenience only was set aside by a federal district court because the proposed route could not be considered alternate, as the present route was unauthorized and nonexistent, and because such route constituted a new service for which a finding of public convenience and necessity was required. *Michigan Motor Freight Lines, Inc. et al. v. United States et al. 113 F Supp 812.*

Carrier Permits. Transportation of goods under a contract carrier permit, after serving customers under a radial permit until shipments between any points became so frequent as to be considered highway common carriage between fixed termini, was considered by the California Supreme Court to be highway common carriage whether by contract or radial highway common carriage permit. *Nolan v. Public Utilities Commission et al. 260 P2d 790.*

Unloading Charges. A federal district court ruled that the Interstate Commerce Commission, in determining whether or not a railroad should charge an additional amount for unloading freight, was not required to review in detail line-haul rates, but must determine where line-haul service ended and whether the unloading was a justifiable additional service of value, for which the consignee should pay at least a part of the cost. *Florida Citrus Commission v. United States, 114 F Supp 420.*

Trains No Longer Needed. A commission order denying a railroad the right to discontinue two passenger trains operating at a loss was reversed by the Oklahoma Supreme Court where there was adequate bus service on a highway running parallel with the railroad. *St. Louis-S.F.R. Co. v. State of Oklahoma, 262 P2d 168.*

Decision on Stock Value. A federal district court held that an Interstate Commerce Commission formula used for determining the value of railroad company stock, on a railroad's application for authority to acquire control of another line by purchasing the majority of its stock, was a matter of commission discretion and a question of fact rather than a question of law subject to court. *Benton et al. v. United States et al. 114 F Supp 37.*

Rates Reasonable or Lawful. A finding by the Interstate Commerce Commission that proposed rates are just and reasonable does not constitute a finding that such rates are lawful, since rates may lie within the zone of reasonableness and still be unlawful, according to a federal district court. *Cantlay & Tanzola, Inc. et al. v. United States et al. (DC Cal) 115 F Supp 72.*

Train Stops. The Mississippi Supreme Court ruled that a commission order requiring a railroad to stop two crack interstate passenger trains at a city with a population of less than 2,500 imposed an undue burden upon interstate commerce and was invalid, since the city was served by other interstate trains and public necessity did not require Pullman service for such city. *Mississippi Pub. Service Commission v. Illinois Central R. Co. 67 So2d 472.*

Agricultural Products. A motor carrier engaged in transporting dressed and eviscerated poultry in interstate commerce, held a federal court, does not require a certificate, since poultry is not a manufactured product but falls within that pro-

vision of the Interstate Commerce Act exempting agricultural commodities from the certificate requirement. *Interstate Commerce Commission v. Kroblin (Allen E.) Inc. (DC Iowa 1953) 113 F Supp 599.*

Services Not Needed. A carrier should seek, and regulatory agencies should permit, the elimination of services and facilities no longer needed, according to the Nebraska Supreme Court. *Re Chicago & N. W. R. Co. 60 NW2d 662.*

Magneto Service Return. Proposed telephone rates that would yield a return of 6.45 per cent on a company's exchange offering magneto service were considered fair and reasonable by the Wisconsin commission. *Re Milltown Mut. Teleph. Co. 2-U-4101, November 30, 1953.*

Consolidated Tax Return. The North Dakota commission adjusted a telephone company's income tax to reflect savings realized by filing a consolidated return with the parent company. *Re Northwestern Bell Teleph. Co. Case No. 5092, December 30, 1953.*

Reopening Denied. A labor organization's petition to reopen a telephone rate proceeding was denied by the North Dakota commission where the party had had ample opportunity to present evidence at the regular hearing but, owing to its own negligence, had not put in an appearance, made any offer of proof, or given the commission any inkling of the nature of the evidence it desired to submit. *Re Northwestern Bell Teleph. Co. Case No. 5092, December 7, 1953.*

Titles and Index

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Titles

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MASSACHUSETTS DEPARTMENT OF PUBLIC UTILITIES

Re Springfield Gas Light Company

D.P.U. 9876
October 16, 1953

INVESTIGATION *into gas company's proposed rates after conversion to natural gas; accounting practices recommended and company ordered to file amended rate schedule.*

Depreciation, § 34 — Reserves — Inadequacy — Obsolescence.

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Valuation, § 202 — Abandoned property — Unamortized balance.

4. A gas company should be allowed to include the unamortized balance of property abandoned upon conversion to natural gas in its plant account for rate-making purposes where a book impairment of capital would result if the entire amount were charged to the inadequate depreciation reserve, and this could be accomplished by charging depreciation accruals pro rata, amortizing as an expense the difference between proper depreciation and book cost, and amortizing out of surplus the amount by which its accrued depreciation reserve falls short of meeting such proper depreciation, p. 72.

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5. The department, although recognizing that it had no jurisdiction to do so in a rate proceeding, issued accounting instructions to a gas company relating to depreciation accruals and the undepreciated portion of the company's abandoned property, with the proviso that the company could ignore such instructions if it so desired, p. 74.

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8. An allowance for working capital was denied a gas company which always had adequate cash on hand as the result of tax and other accruals to bridge the gap between rendition of and payment for service, p. 77.

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9. A gas company's rate base should not be computed on gross plant without deducting the depreciation reserve where a deficiency in such reserve is due to the dividend policies of the company's management rather than to insufficient rates, p. 77.

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10. A natural gas company, in order to maintain its financial well being, is deemed to be entitled to a return of at least 6.25 per cent on invested funds, p. 80.

Discrimination, § 30 — Rate differentials — Use of service.

11. Rate differentials based on character of use should not be allowed between customers of the same general category unless it costs the utility less to serve a given class of customers, p. 82.

APPEARANCES: William R. Cook and Edward O. Proctor, for Springfield Gas Light Company; Charles D. Sloan, City Solicitor, and Donald A. Clancy, Associate City Solicitor, for city of Springfield.

By the DEPARTMENT: Springfield Gas Light Company filed on December 21, 1951, new schedules of rates and charges for gas, stated therein to be effective January 1, 1952, denominated its M.D.P.U. Nos. 67 to 71, inclusive, and Revised Sheets 5, 6, and 7 to its M.D.P.U. No. 7. These rates canceled and superseded certain schedules which had been filed July 27, 1951, to be effective September 1st of that year, but which were actually placed into effect upon the changeover to natural gas in October and November, 1951. These latter schedules had been allowed by the department to become effective without suspension since, as a practical matter, the previous rates were impossible to apply to the new conditions, although the department had grave doubts as to whether such new rates were fair and just. An investigation into their propriety was immediately ordered, and conferences were initiated with the company looking to their modification. As the result of these conferences, the new rates now under investigation were filed, which were stated to represent an over-all reduction of 6 to 7 per cent over those previously in effect. These new rates were permitted to become effective for obvious reasons, and the domestic rates, being graduated according to use, were tentatively approved (G.L. Chap 164, § 119). The investigation theretofore commenced was terminated by order (D.P.U. 9664) and the instant investigation as to the propriety of the new rates was commenced. Public hearings were held

in Boston on March 19, April 22 and 23, and June 2, 3, and 4, and July 24, 1952, and in Springfield on June 24th. The city of Springfield, by its city solicitor, appeared and actively participated in the hearings.

As hereinafter described, decision on this evidence was withheld for some time pending investigation of certain accounting phases of respondent's case, and a new hearing was ordered to be held on July 2, 1953. At this time, the annual return of the company for the year 1952 was available and was incorporated into the record as an exhibit, as well as operating results for the five months ending May 31, 1953.

The rates here under investigation provided for a decrease in respondent's annual gross operating revenues of about $351,618 as compared with those initially filed by the company for application to natural gas. This diminution in revenues is allocated as follows among the various rate classifications:

MDPU No.	Rate Schedule	Description	No. Customers	Est. Ann. Reduction	Per Cent
67	A	General and Domestic	41,543	77,079	4.2
68	D	Domestic Space Heating	17,410	173,313	9.3
69	I	Optional General	155	84,050	12.4
70	O	Building Heating—All Purpose	108	4,092	5.2
71	F	Building Heating	402	13,084	10.3
			59,618	351,618	7.7

At the time of the hearing in 1950 before the Federal Power Commission on the application of Northeastern Gas Transmission Company for a certificate of public convenience and necessity under the Federal Natural Gas Act (Docket No. G–1267) [9 FPC 262, 85 PUR NS 184], as the result of which Northeastern was authorized to furnish natural gas to respondent, the witness for Springfield Gas testified that respondent estimated its savings due to the introduction of natural gas at about $825,000 a year, and that it intended to devote about one-half of such savings, or about $400,000 a year, to a reduction in retail prices. Changed conditions, principally in the cost of natural gas, have intervened, and the net savings thus accruing to respondent are presently substantially less than its previous estimate, and the amount of the reduction shown above probably approximates 50 per cent of current savings. We believe that respondent has complied with the commitment so made to the consuming public. The distribution of the reductions as between classes of service is based on promotional sales policies, and we cannot say that it is unreasonable.

Respondent is engaged in the manufacture and distribution at retail of gas to between 62,000 and 63,000 customers' meters in the cities of Springfield and Chicopee and the towns of Agawam, East Longmeadow, Longmeadow, Ludlow, South Hadley, and West Springfield. It was last before us in rate proceedings in 1947, when certain schedules of increased rates were approved by us (Re Springfield Gas Light Co. [1947] D.P.U. 7709, 70 PUR NS 82). The introduction of natural gas, however, has been the

cause of such major changes in its earnings and financial condition that the evidence then before us and the conclusions to which we then arrived are of little assistance to us here.

A comparison of the respective balance sheets of respondent as of the end of 1950, 1951, and 1952, gives some indication of the scope and effect of these changes.

Assets

	12/31/50	12/31/51	12/31/52
Plant investment (inc. gen. eqpt.)	$12,161,632	$11,587,084	$11,653,949
Unfinished construction	124,194	118,261	356,165
Other investment	84,378	84,378	103,016
Total investments	$12,370,204	$11,789,723	$12,113,130
Current assets			
Cash	$302,021	$203,835	$328,676
Accounts receivable	728,887	906,997	857,916
Materials and supplies	1,173,246	1,095,679	960,884
Other	951	3,022	1,808
Total	$2,205,105	$2,209,553	$2,149,284
Prepaid accounts	$26,783	$52,039	$67,263
Unadjusted debits			
Unamortized debt discount & expense	$6,759	$7,887	$6,843
Property abandoned	None	1,054,055	1,112,003
Other (customer conversion expense)	6,964	1,537,825	1,431,000
Total	$13,723	$2,599,767	$2,549,846
Total assets	$14,615,815	$16,651,062	$16,879,523

Liabilities

	12/31/50	12/31/51	12/31/52
Common stock	$5,360,100	$5,360,100	$5,360,100
Premium	3,429,291	3,429,291	3,429,291
Long-term notes	2,286,000	3,660,000	4,818,000
Current liabilities			
Notes payable	800,000	1,700,000	250,000
Accounts payable	355,253	253,842	258,398
Customers' deposits	79,739	84,618	87,995
Total	$1,234,992	$2,038,460	$596,393
Accrued liabilities	$171,197	$52,304	$426,086
Unadjusted credits	58,088	57,979	22,053
Reserves			
Depreciation	$1,417,388	$1,367,070	$1,491,262
Other	29,627	49,550	29,793
Total	$1,447,015	$1,416,620	$1,521,055
Contribution for extensions	$1,480	$1,480	$1,480
Profit and loss balance	627,653	634,828	705,065
Total liabilities	$14,615,815	$16,651,062	$16,879,523

In order to arrive at a proper rate base for use in these proceedings and to deal correctly with its earnings statements, some analysis of respondent's property accounts as contained in its balance sheets is necessary. There are three major questions thus presented which we must answer, first,

as to the balance sheet entries covering abandoned property; second, as to the treatment to be accorded to costs of conversion; and third, as to the proper allowance for working capital.

Abandoned Property

Prior to December 31, 1951, respondent's production machinery consisted in part of a coal gas generating plant, 60 retorts of which were installed in 1914 and 40 in 1928. This apparatus had a total daily capacity of 4,500 Mcf. It also had water gas generating sets of capacity aggregating 11,100 Mcf per day, and a liquid petroleum plant with a capacity of 3,000 Mcf. The gas produced by the coal gas process is not readily adaptable to use in connection with natural gas, and constantly increasing coal prices and a diminishing coke market have made the process of very doubtful economy. Furthermore, the coal gas process is inherently designed to furnish a steady base load. Since the rates at which natural gas is purchased are on a 2-part basis, that is, they include both a demand and a commodity component, it is uneconomical to use natural gas except for a base load, so far as possible. On the other hand, processes have been developed within the last few years in connection with which the equipment previously used to produce water gas at about 528 Btu can be modified to produce an oil gas at about 1,000 Btu, which can be used in connection with natural gas for either peak-shaving or standby purposes.

Respondent first received natural gas under its contract with Northeastern Gas Transmission Company on September 29, 1951, and commenced to supply some of its customers with this commodity on October 2nd. By the end of the year, it had changed over completely. Consequently, since its coal gas plant was so rendered useless, it determined to dismantle and junk this apparatus, together with such of its water gas equipment as could not be economically used thereafter. The original cost of the property so abandoned as shown on the books of the company was $1,500,965.55 at the end of 1951 and $251,975.69 additional at the end of 1952, or a total of $1,752,941.23, which was about 11½ per cent of the total plant investment prior to the abandonment, and about 29½ per cent of the total prior investment in production plant.

Under existing federal tax laws, respondent realized certain tax advantages from this abandonment in the amount of $323,853.62. Of the balance of $1,429,087.61 (after adjustment for salvage and cost of removal), the amount of $223,127.48 was charged to accrued depreciation. This amount was arrived at by applying to the book cost of the abandoned plant the percentage which accrued depreciation bore to total plant in service, to wit, 12.7 per cent for 1951 and 12.9 per cent for 1952. These book entries left the amount of $1,217,408.56 not otherwise disposed of, which respondent proposes to amortize in annual instalments over a 10-year period. This proposal raises three questions: (1) whether respondent's accounting procedure is consistent with the public interest; (2) whether the unamortized balance is properly to be considered

as a part of respondent's rate base; and (3) whether the annual amortization credits are properly chargeable to operating expenses from year to year. These questions are, of course, interrelated to a very large degree.

[1] The amount of respondent's depreciation accruals has been the subject of some concern to us over the years. It never felt obliged to transfer any substantial portion of its income to this account prior to 1934, at the end of which year its accrued reserve stood at $81,261, representing an extremely small per cent of its plant in service, though it had even then been in operation for more than a hundred years, and though the present accounting practices in this respect of gas companies under our jurisdiction had been in effect for about thirteen years. Though no department order was ever entered embodying such requirements, the department has been quite concerned as to respondent's practices in this regard, and it appears that it was recommended to respondent by the department in 1934 and subsequently that it reform its depreciation accounting. Specific jurisdiction over depreciation accounting had first been given to the department in 1921 by what is now § 5A of Chap 155. Accordingly, as was stated in D.P.U. 4690 and again in D.P.U. 8421, both of which orders in themselves related to entirely different issues, that, after conferences with the department, respondent had agreed that its annual accruals would thereafter be more substantially in excess of annual charges, resulting in an improved balance sheet position as regards depreciation reserves. However, the department has never approved of the rates of depreciation used by respondent's management, if it be admitted that we would do so upon application, and no request for its approval has ever been made. The annual returns of respondent since 1934 show the following entries:

Year	Bal. at beg. of year	Credits	Charges	Bal. at end. of year
1935	81,261.48	70,625.86	27,859.50	124,027.84
1936	124,027.84	61,156.51	47,709.62	137,474.73
1937	137,474.73	65,928.25	13,716.21	189,686.77
1938	189,686.77	74,535.98	16,433.41	247,789.34
1939	247,789.34	62,412.18	30,785.37	279,416.15
1940	279,416.15	70,490.56	49,276.71	300,630.00
1941	300,630.00	174,623.88	156,553.86	318,700.02
1942	318,700.02	222,371.20	47,310.67	493,760.55
1943	666,545.76*	300,000.00	99,753.63	866,792.13
1944	866,792.13	250,000.00	61,800.37	1,054,991.76
1945	1,054,991.76	225,000.00	110,536.07	1,169,455.69
1946	1,169,455.69	200,000.00	160,208.03	1,209,247.66
1947	1,209,247.66	160,000.00	114,359.17	1,254,888.49
1948	1,254,888.49	160,000.00	230,106.49	1,184,782.00
1949	1,184,782.00	160,000.00	39,235.85	1,305,546.15
1950	1,305,546.15	160,000.00	48,157.88	1,417,388.27
1951	1,417,388.27	172,846.67	223,164.91	1,367,070.03
1952	1,367,070.03	200,000.00	75,808.15	1,491,261.88

* Including $172,785.21 transferred from reserves for extraordinary maintenance.

Respondent's dividend policies in the meantime have been something less than conservative. In only four years of the last thirty has its dividend pay-

ment been less than 90 per cent of its total net income, and since 1942 it has paid out in dividends 97 per cent thereof, leaving only a nominal amount as accretion to surplus. Its surplus in 1931 was $467,382, and in 1951 had increased by only $167,446 or an average accretion of about $8,372 a year over the 20-year period. We find from all the evidence that respondent's depreciation reserve as of December 31, 1951, was inadequate; that no allowance for possible obsolescence was made in establishing the level of its depreciation accruals, though prudent management would have allowed for such contingencies; and that the failure to provide adequate reserves has been due to the desire of respondent's management to maintain dividends to its stockholders.

[2] It would normally be the procedure, in a situation such as that facing respondent, to charge the entire loss due to obsolescence to depreciation reserve. It seems to us that such is precisely the function of a depreciation reserve, i.e., to act as an insurance to the investors that the fund which they have invested in utility property will not become dissipated either through obsolescence or through deterioration. The effect of such treatment is clear: under our general practice of arriving at a rate base by subtracting accrued depreciation from the original cost, the amount of the rate base would remain unchanged by these book entries, and the utility would, in effect, amortize the unusual charge to accrued reserves out of subsequent annual accruals.

The Uniform System of Accounts for Gas and Electric Companies prescribed by the department and under which respondent's books are kept provides (Page 19, 1941 Ed.):

"When property, the cost of which has been charged to plant accounts, is abandoned, sold, or otherwise retired from service, whether replaced or not, the appropriate plant investment account shall be credited with the amount at which such property stands charged therein at the time of retirement. . . . Concurrently, balance sheet account No. 319, 'Depreciation Reserve,' shall be charged to the extent that the total balance in the reserve is sufficient to cover the cost of property retired: proper account shall be taken of salvage and insurance, and the remainder, if any, together with expenses incident to the abandonment, shall be charged to Profit and Loss Account No. 415, 'Appropriations of Surplus for Depreciation.'

. . . . . .

"When property is retired as a result of an extraordinary casualty or contingency, unforeseen and unprovided for, the cost of property so retired may, upon authority from the department, be charged to account No. 217, 'Property Abandoned,' and amortized during the period authorized by charges to account No. 319, 'Depreciation Reserve,' proper allowance first having been made for any salvage and insurance, and the amount, if any, previously provided for in depreciation reserve for the property so retired."

[3] It does not seem to us that respondent's coal gas plant can be said to have been retired as a result of an extraordinary casualty, nor do we believe that such retirement is the result of a contingency which prudent and competent management should not

have foreseen. It has been obvious for some years that coal gas operations were becoming of at least marginal utility. See Everett v. Malden & Melrose Gas Light Co. (1949) D.P.U. 8144, 78 PUR NS 129. Consequently, we believe that the normal disposition of this retirement would be to charge the entire balance against accrued depreciation, had there been adequate provision made for these accruals.

However, a charge of this nature would seriously deplete the depreciation reserve, the amount of which has, as we have pointed out, been the cause of some concern to us in the past. It would result in a balance in the depreciation reserve as of December 31, 1952, of only $379,258.87, or about 3.5 per cent of depreciable property. It is true that there have been very substantial charges recently made to this account, totaling $1,068,022, between 1941 and 1951, representing retirements of existing plant. The present natural gas operations leave in constant active operation only the relatively stable transmission and distribution properties. Consequently, the deficiency in reserves might be restored through the large excess which should exist from now on between accruals in the amount of $200,000 as established by respondent and reasonable current charges to the account.

[4] However, we believe that the charging of this entire amount to the present inadequate depreciation reserve would result in book impairment of capital under § 16 of G.L., Chap 164, to remedy which would require us to take the drastic measures outlined therein.

One alternative course of action, permission to make appropriate book entries for which has already been given, to wit, to credit the balance of $1,217,408.56 (reduced to $1,112,-203.01 by December 31, 1952) to Account 217, Property Abandoned, and make annual appropriations out of surplus for depreciation through Account 415 until these entries are balanced, is unsatisfactory to respondent, and, in so far as it characterizes this account as a surplus deficit, which could not be carried as plant for rate purposes, it seems to be contrary to the weight of the decided cases. This point was most competently briefed by respondent, and we feel that the weight of authority requires us to hold that we must allow respondent either directly or indirectly to include in its plant account for rate purposes the unamortized balance of such abandoned property account, contrary to the implications of our holdings in Re Western Massachusetts Electric Co. (1951) D.P.U. 9658, and Re Eastern Massachusetts Street R. Co. (1952) D.P.U. 9750, 95 PUR NS 33. Both of these cases are, however, clearly distinguishable on their facts, and our orders therein are not inconsistent with the instant case. We find it difficult to differentiate the facts in this case from those in Pacific Gas & E. Co. v. San Francisco, 265 US 403, 68 L ed 1075, PUR1924D 817, 44 S Ct 537, and Washington Gas Light Co. v. Baker (1950) 88 US App DC 115, 89 PUR NS 177, 188 F2d 11, cert. den. (1951) 340 US 952, 95 L ed 686, 71 S Ct 571. While such precedents are no longer constitutionally binding upon us under the decision in the Hope Natural Gas Case (1944) 320 US 591, 88 L ed

333, 51 PUR NS 193, 64 S Ct 281, they are entitled to the deepest respect. We do not agree without reservations that the "prudent investment" theory necessarily requires such treatment, since such argument overlooks the fact which forms the basis for some of the cases hereinafter cited, i.e., that the funds under this rule which must be considered are only such funds as are prudently invested in plant *which is used and useful* in the public service.

As pointed out by the respondent, the argument which we have outlined is in accordance with some prior holdings of the department and its predecessors, Re Middlesex & Boston Rate Case (1914) 2 Ann Rep Mass PSC 99, 129, 130; Re Marlborough Electric Co. (Mass) PUR1915C 665, 671. But see Re Blue Hill Street R. Co. (Mass) PUR1915E 370; Re Bay State Rate Case (Mass) PUR1916F 221. There are many cases in other jurisdictions to which respondent calls our attention and in which a utility has been permitted to amortize the undepreciated portion of its investment in abandoned property, and, in some cases, to earn thereon in the meantime.[1] And it is equally true that analysis of the cases *contra* shows many of them to be distinguishable.[2]

There is, however, another alternative which seems to avoid substantially all the difficulties we have referred to. It seems to us that this company can operate under a sound balance sheet if we direct it to take the following steps, viz: (1) credit Account G101–139–Plant Investment and G 150–155–General Equipment, as the case may be, with the book cost of the abandoned facilities; (2) credit Account 319–Depreciation with an amount representing the ratio of total accrued depreciation reserve to total plant (Account G101–139 and 150–155); (3) debit Account 218–Other Unadjusted Debits with the difference between a reasonable accrued depreciation of the properties so abandoned and the amount so credited to Depreciation Reserve; and (4) debit the balance of the amount of abandoned property to Account 217–Property Abandoned. In such case, it would be proper to charge in amortization of Account 217, 10 per cent thereof annually as an operating expense under a special sub-account Amortization of Abandoned Properties and charge Account 415–Appropriations of Surplus for Depreciation, with amortiza-

[1] Re Southern California Gas Co. (1918) 15 Cal RCR 608; Re Southern Counties Gas Co. (Cal) PUR1921B 705; California Farm Bureau Federation v. San Joaquin Light & P. Corp. (Cal) PUR1932D 310; Re Bridgeport Hydraulic Co. (1926) 15 Ann Rep Conn PUC 84; Taylor v. Northwest Light & Water Co. (Idaho) PUR1916A 372; Re Quincy R. Co. (Ill) PUR1919E 390; Re Rockford Electric Co. (Ill) PUR1925D 154; Commercial Club of Terre Haute v. Terre Haute, I. & E. Traction Co. (Ind) PUR1917D 743; Re Owensville Light Co. (Ind) PUR1921B 721; Toner v. Martinsville Gas & E. Co. (Ind) PUR 1923E 69; Re St. Joseph R. Light, Heat & P. Co. (Mo 1934) 5 PUR NS 253; Re Great Falls Gas Co. (Mont) PUR1928E 803; Re Niagara Mohawk Power Corp. (NY) Case 14927, Dec. 12, 1951; Re Brooklyn Union Gas Co. (NY) No. 15604; Re Long Island Lighting Co. (NY) No. 15613; Borth v. Philadelphia & West Chester Traction Co. (Pa) PUR1928D 269; Public Utility Commission v. North Penn Gas Co. (Pa 1945) 60 PUR NS 331; Re Elkhart Lake Light & P. Co. (Wis) PUR1920A 345.

[2] Re Joplin Gas Co. (Mo) PUR1923D 332; State ex rel. St. Louis v. Public Service Commission (1937) 341 Mo 920, 22 PUR NS 6, 110 SW2d 749; Re San Joaquin Light & P. Corp. (Cal) PUR1933E 128; Himes v. Pennsylvania Power & Light Co. (Pa 1936) 16 PUR NS 65; Re Laclede Gas Light Co. (Mo 1939) 30 PUR NS 13.

tion over a similar period of the balance so charged to Account 218. What all this would accomplish is simply to charge depreciation accruals pro rata, allow respondent to amortize as an expense the difference between proper depreciation and book cost, and compel it to amortize out of surplus the amount by which its accrued depreciation reserve falls short of meeting such proper depreciation. The accruals charged against surplus will necessarily, as they are made, be credited to Depreciation, and will serve to restore such reserve more nearly to a reasonable percentage of plant in operation.

In the course of arriving at the figures to use under such process, it is, of course, necessary to make findings as to proper amount of accrued depreciation on the property abandoned. No such evidence was available at the hearings and, accordingly, the matter was reopened by order of the department and a further hearing was held on July 2, 1953. At the reopened hearing, testimony was given as to accrued depreciation on several alternative bases. The department accounting staff proceeded on a unitized straight-line basis and arrived at a figure of $959,494. The expert for the company disapproved of this method for application to gas properties, and presented computations based on other methods ranging from $773,639 to $497,413. Realizing that there are adequate grounds for very substantial differences of opinion in depreciation accounting, we are willing for these purposes to accept the computations presented by the company based on straight-line depreciation accrued on a group life basis in the amount of $757,642. Accordingly, we find that respondent abandoned coal gas plant having original book cost aggregating $1,752,941.23 in 1951 and 1952. Of this amount, it should credit $223,127.48 to Account 319–Depreciation. The balance, less tax adjustment, in the amount of $1,217,408.56 is to be disposed of as follows: $682,894.04 is to be credited to Account 217, and is to be amortized by charges to expense over a 10-year period and $534,514.52 is to be credited to Account 218 and is to be amortized by charges to Account 415 over a 10-year period. Amounts to be placed in Account 217 will be computed as part of the rate base in this case, but amounts credited to Account 218 will not be so considered.

[5] Several points have been raised by the company in this connection. In the first place, it is argued that the department for accounting purposes has already given instructions inconsistent with the foregoing. This is true, as appears in the record. However, as previously pointed out the prior authorization was to charge amortization annually to surplus. The company protested these instructions and have not followed them in its subsequent Annual Reports. The present instructions allow a large portion of these charges to be made "above the line," thus modifying our former directions in favor of the respondent. Of course, if it does not wish to avail itself of this consent, it is free to charge all amortization against surplus in accordance with our prior letters. Secondly, it is argued that we are without authority in these proceedings to give instructions as to accounting procedure. This may also be true,

strictly and technically speaking, since the notice of hearing was only on an investigation of rates. However, under the provisions of the Uniform System of Accounts which we have quoted, unless the entire loss by abandonment is to be charged to Depreciation or Surplus, the company must have authorization for other entries and for the resultant amortization. We have given a great deal of thought to the situation in these proceedings, since a determination thereof was necessary to enable us to find a proper balance of funds available for interest and dividends, and since the disposition of this question here will establish a precedent in other areas faced with the same problem. We are modifying the company's reported earnings accordingly, and, if it wishes to divorce the accounting instructions from these proceedings, it may ignore, as being beyond our jurisdiction, that portion of our order relating to its book entries and apply for modification of our instructions of January 28, 1952, and January 14, 1953, in complete assurance as to the form in which such permission will be granted. Otherwise, it will comply with the instructions given herein.

Conversion Expenses

[6] Prior to October 2, 1951, respondent was furnishing gas to its consumers at 581 Btu. Natural gas comes to respondent at a Btu content of upward of 1,000 per cubic foot, which has been the standard adopted by respondent for present deliveries to its customers. In order to enable its customers' appliances to burn natural gas, whether by itself or mixed with high Btu oil gas, it was necessary for respondent to convert them for such use. This was done at a cost, as of December 31, 1951, of $1,537,825. Among its long-term notes is an issue of $1,250,000 of 3⅜ per cent notes dated September 1, 1951, payable in ten equal annual instalments, which issue was approved by the department in D.P.U. 9584, 90 PUR NS 33, the proceeds of which were to be used to pay in part the cost of such conversion. Under direction of the department, respondent contemplates charging about $160,000 a year to operating expenses in order to pay off these conversion notes and to amortize the balance of the conversion expenses. Respondent urges that the unamortized balance of this investment be treated as part of its plant investment for the purposes of this case.

With this position, we find ourselves unable to agree. There is no gas utility plant in existence which was paid for out of these funds, and no part of the consumers' equipment is carried in respondent's plant account. The process was essentially one of maintenance, the extraordinary size and character of which warrant treatment by amortization instead of by a charge to the expenses of a single year. In approving the note issue in D.P.U. 9584, *supra,* we characterized these items as "nonrecurring operating expenses." When the question was discussed in conference with the commission and other gas companies, a distinction was made between these expenses and capital outlays, and it was decided that the debt limitations of G.L., Chap 164, § 14, were not applicable, and borrowings have been permitted in excess of such limits for

this purpose. As an operating expense, the annual amortization credit is properly chargeable against operating revenues for the year in which it accrues. Respondent is further entitled to credit as an expense for interest which it is required to pay on the notes by which it has refunded the unamortized balance. But the account still represents an expense item, and not a plant investment, and logically forms no part of the rate base. We have reviewed the holdings in Re Washington Gas Light Co. P.U.C. No. 3517, in the District of Columbia, decided March 27, 1952, and in Milwaukee v. Milwaukee Gas Light Co. 92 PUR NS 133, decided January 30, 1952, by the Public Service Commission of Wisconsin, which are relied upon by respondent. In neither case is there any discussion of the questions we have raised in this respect. In so far as they are inconsistent with our holding here, we decline to follow them. See Re Worcester Gas Light Co. (1953) D.P.U. 9877, 10117, 1 PUR3d 300.

Working Capital

Under the policies we have been able to formulate in Re Western Massachusetts Electric Co. D.P.U. 8657, and Re Cambridge Electric Light Co. (Mass 1952) D.P.U. 9781, 96 PUR NS 77, respondent is clearly entitled to an allowance for working capital in its rate base.

[7] Relying upon the holdings in Lowell Gas Co. v. Department of Public Utilities (1949) 324 Mass 80, 78 PUR NS 506, 84 NE2d 811, and Boston Consol. Gas Co. v. Department of Public Utilities (1951) 327 Mass 103, 90 PUR NS 259, 97 NE2d 521, respondent has carefully excluded from its estimated operating results any profit derived from its merchandising and jobbing activities. While this position still seems to us grossly unjust from almost any point of view, as well as being open to almost insuperable accounting objections, it is far too late to change the rules except by legislation, and respondent is perfectly within its legal rights in so treating these operations. But see Re Worcester Gas Light Co. D.P.U. 9877, *supra*. It is interesting to note in this connection that, in the 1953 statement that was filed as Exhibit 88, where there appears a loss in these operations, respondent takes credit for the red figure in computing its net earnings for the period. However this may be, it appears that respondent has not been equally careful in its estimates for materials and supplies, and, although it has excluded therefrom its investment in gas appliances, it has obviously included therein other investment in materials and supplies which are no longer applicable to the present conditions. An analysis of its materials and supplies account as shown in its Annual Return for 1952 shows a total of only $545,800.12 out of the grand total of $960,884.22 carried on its books to be invested in items which are closely associated neither with respondent's merchandising activities, its coal gas plant operations nor full-time water gas operations, none of which operations are properly a part of its future activities for our present purposes. Under these circumstances, we do not feel that respondent is entitled to have considered as a part of its rate base an amount for materials and supplies in

excess of such of its investment therein as of December 31, 1952, as is represented by items, applicable to the distribution of natural gas, to wit, $545,800.

[8] Respondent claims, in addition, an amount for cash working capital equal to one and one-half months' operating expenses, exclusive of depreciation, amortization, and taxes, or, for 1952, the amount of $362,088. See Re Boston Consol. Gas Co. D.P.U. 9445. Its average end-of-month balances in tax accruals in 1951 (exclusive of December, which is distorted by year-end adjustments) was about $285,000. Such accruals for 1952 and subsequent years should be very substantially larger as respondent's taxable income increases. Moreover, it purchased an average of about $97,475 a month in natural gas in 1952, payment for which was made in arrears, just as are respondent's collections from its customers. "If the financial situation of an operating company shows that sufficient funds are readily available to bridge the gap between rendition of and payment for services, no cash working capital is required and none should be allowed by the commission." Pittsburgh v. Public Utility Commission (1952) 370 Pa 305, 94 PUR NS 353, 88 A2d 59. We find that respondent will have at all times in the foreseeable future adequate cash on hand as the result of tax and other accruals so that we would not be justified in assuming the necessity for any working cash as a part of its rate base. See Re Western Massachusetts Electric Co. D.P.U. 9658, *supra*.

The Rate Base

In accordance with the foregoing subsidiary findings, we find and hold that respondent has prudently invested in utility operating plant the sum of $11,385,899 made up as follows:

Average plant in service, 1952	$11,620,516
Amounts chargeable to Acct. 217 (ave.)	648,749
Materials and supplies	545,800
Gross utility operating plant	$12,815,065
Less average accrued depreciation	1,429,166
	$11,385,899

[9] Respondent contends that it is entitled to have the rate base computed on gross plant without deducting depreciation reserve, on the ground that its rates have been so low as to prevent it from accruing a more adequate reserve.

In the first place, respondent is attempting to blow both hot and cold. This argument assumes that the existing reserve is inadequate. But respondent's general manager and its engineering expert both testified that, in their respective opinions, the existing depreciation reserve was adequate. We are not so convinced, since, as we have pointed out, we feel that a depreciation reserve, in order to perform its function, must contemplate eventual obsolescence. It appears, both from respondent's own schedule of plant retirements and from other statements in the record, that far and away the largest part of charges to depreciation reserves in gas companies covering such retirements is due to factors other than ordinary wear and tear, and is in great measure due to what would be understood by the term obsolescence as including inadequacy. That the industry in general is of this

opinion is evidenced by the fact that accrued depreciation reserves in a representative group of gas companies nation-wide range from about 16.5 per cent to as much as 25 per cent, with an average over-all of about 20 per cent. Respondent admittedly did not provide for such obsolescence. The result of failing to do so is best illustrated by the very situation we are here concerned with.

In the second place, the earnings and pay-out history of respondent do not support its contentions. We cannot find that the fiscal policies of the company over a period of years, which have resulted in such insufficient accruals, have been so conservative as to justify us in following the treatment accorded the accounts in the Blue Hill Rate Case, PUR1915E 370. We find, on the contrary, that such deficiency in reserves is due, not to insufficient rates, but to the policies adopted by respondent's directors and stockholders in the past. That the company's bankers do not agree with these policies is evidenced by the fact that, under one of its recent note indentures, it is required to set aside not less than one and one-half per cent of its depreciable plant annually in its depreciation reserve. And the Bureau of Internal Revenue, which is not noted for its charity to taxpayers, allows respondent to charge 2.7 per cent annually to depreciation for tax purposes. We are not impressed by the argument that the competitive situation of gas with other fuels has kept respondent from charging rates adequate both to make proper accruals to depreciation and to allow a reasonable return to investors. Other gas companies in the state in comparable competitive position have accrued an adequate depreciation reserve. It seems completely inappropriate to apply the observations in the Blue Hill Case, *supra,* to the instant situation where we find that the utility for many years deliberately followed a policy of charging as little as possible to its depreciation account.

Operating Results

Respondent's operations for 1951, exclusive of merchandising and jobbing revenue, showed the following results:

Operating revenues	$4,692,420
Operating expenses	3,856,021
Net operating revenues	$836,399
Uncollectible	10,000
Taxes	386,598
Net operating income	439,801
Nonoperating income	547
Gross income	$440,348
Deductions from income	113,795
Balance to profit and loss	$326,553

However, since rates are, as we have often observed, made for prospective application, such results are of little significance in view of the basic change in the character of respondent's business due to the introduction of natural gas. This situation is further affected by important changes in emphasis in its sales policies. Due to increased sales efforts, in part at least, respondent's sales of gas in 1950 and 1951 increased about 26 per cent and about 13.5 per cent more during 1952; whereas during the three years 1947–1949 inclusive its sales increased only 2½ per cent. A substantial proportion of this increase was due to larger sales of gas for house-heating purposes. Respondent furnished an estimate of its

1952 operations, in which it took into account this change, as well as the numerous other modifications due to the application of the present rate schedule and changed cost conditions. Testimony was presented at the hearing by an expert retained by the department on the basis of a test year, and the comparative figures are also shown below. In view of the unusual and unavoidable delay experienced in this case, we are now able to refer also to the 1952 actual figures, which are likewise given:

	Company's estimates	Kushing estimate[1]	1952 Actual
Operating revenues	$4,845,066	$5,066,000	$4,756,800
Operating expenses	3,362,105	3,503,400	3,437,448
Net operating revenues	$1,482,961	$1,562,600	$1,319,352
Uncollectible	10,000	10,000	.....
Taxes	866,583	918,666	751,878[2]
Net operating income	$606,378	$643,934	$567,474
Nonoperating income	$320	none	.....
Gross income	$606,698	$643,934	$567,474
Deductions from income	193,543	193,543	177,705
Balance to profit & loss	$413,155	$450,391	$389,769

[1] As corrected on the basis of his oral testimony.
[2] After tax correction allocable to Merchandising and Jobbing Revenue.

The above company estimates show gross income to represent a return of 5 per cent on the rate base we have found. The balance transferable to profit and loss of $413,155 constitutes a return of about 4.3 per cent on outstanding equity funds (par plus premium plus surplus). The estimates presented by our own engineer represent a return of about 5.28 per cent on our rate base and of about 4.74 per cent on gross equity.

It will be observed that the company estimates are 1952 results arrived at by modifying 1951 actual by known factors, and show an operating ratio of 69.4 per cent. Mr. Kushing declined to define the term of his estimate to any definite year, merely terming it a "future year." He arrived at an operating ratio of 69.1 per cent. It must be kept in mind that the slight differences in the respective rates of return may easily be offset by a larger rate base which might be applicable for the period covered by Kushing's figures.

The actual figures given for 1952 include, however, the net amount after tax adjustment of $105,405.55 as charged to expenses for amortization of abandoned property. In accordance with our previous findings, this must be decreased to $68,289.40. Expenses must also be increased by the interest on conversion notes. On a pro forma basis, computed to include a full year's interest on the $333,000 of 3½ per cent conversion notes issued December 1, 1952, this amounts to $52,872.

Effective as of April 1, 1952, the ceiling price of natural gas purchased by respondent during the so-called development period of three years was increased from 46 cents per Mcf to 53 cents. This rate then became effective under bond by reason of the failure of the Federal Power Commis-

sion to act upon the transmission company's new filing after an elapsed period of five months. 15 USCA § 717c. In its estimates for the year 1952, and in its actual statement, respondent included about 711,000 Mcf at the prior rate of 46 cents. Since that time, the Federal Power Commission has approved the 53-cent rate, which is currently effective. By reason of this increase, there is an understatement of about $49,768 in the pro forma gross annual expense for that year. The total difference between the expense to the company of gas at 46 cents and at 53 cents is about $160,000 a year. After tax credit, this would make a difference one way or the other of about $76,800 in the amount of respondent's net earnings. A correction is necessary in dealing with the 1952 results to reflect these changed conditions by increasing expenses by $49,768 and decreasing taxes by $27,055, or a net decrease in profit of $22,713.

The net result of making these various corrections in respondent's actual results for 1952 is to arrive at a balance transferable to profit and loss of $412,348. This represents a return of about 4.34 per cent on total equity funds of the company as of the end of 1952. The corresponding income before interest of $613,966 represents a return of about 5.4 per cent on the rate base we have found.

We are furnished with comparative operating statements for the five months ending May 31st, in the years 1952 and 1953, respectively, which presumably contain comparable figures, though they are not presented in sufficient detail for critical analysis. The income balance transferable to profit and loss thus indicated for 1952 was $236,896 and for 1953 was $248,264. This means to us that respondent's future results under the rates under investigation are not so much in excess of its past earnings as to justify any modifications of the ultimate findings which we are making herein.

In view of the effect that the increased depreciation accruals would have on the company's earnings, and since there is apparently an honest difference of opinion as to the proper level of reserve, we recommend to respondent that it undertake a depreciation study under impartial engineering auspices in order that this important matter may be soundly treated in the future. The department stands ready, of course, to co-operate with respondent in any effort to determine policy in this regard.

Rate of Return

[10] Respondent will be required within a relatively short time to invest substantial sums in new equipment. At the present time, after junking the apparatus we have described, it has a combined oil and propane gas capacity of about 8,700 Mcf per day. Its peak day in the winter of 1951–1952 called for the production of 10,600 Mcf. It plans to install a new oil gas set at an estimated cost of about $500,000 to bring its standby capacity to above its prospective peak, in order to avoid any possible interruption to service. While experience may teach us that such a policy is overcautious, we cannot say, in view of all the existing circumstances in this area, that respondent ought not to lay its plans with such contingencies in mind. It

will accrue substantial amounts of depreciation cash, of course, under the program hereinbefore outlined, but it is extremely probable that it will be necessary to devote these funds to current extensions to meet the expected increased demands for service. For example, its 1952 Annual Report shows net additions to its plant, exclusive of coal gas abandonment, of $556,744. This apparently does not include the cost of the new oil gas set. It is thus apparent that the company will be required to issue new securities in the not too far distant future, and that we should give substantial weight to the testimony before us bearing upon the cost of money to respondent.

There is in the record a considerable amount of testimony as to the return on respondent's securities which would be necessary in order to enable it successfully to compete for new capital.

Respondent's capital structure as of December 31, 1952, consists of the following entries:

Bonds:	
Ten-year Notes, dated 12/15/48 at 3½%	$1,380,000
Twenty-year Notes, dated 8/1/51 at 3⅜%	980,000
Twenty-year Notes, dated 2/15/52 at 3¼%	1,000,000
Conversion Notes:	
Ten-year Serial Notes, dated 9/4/51 at 3⅜%	1,125,000
Nine-year Serial Notes, dated 12/1/52 at 3½%	333,000
	$4,818,000
Total *debt*	
Equity funds:	
Common Stock ($25 par)	$5,360,100
Premium on stock	3,429,291
Profit and loss surplus	705,065
Total equity funds	$9,494,456

In using the above figures for cost of money purposes, however, we consider it improper to include the conversion notes, since, as we have pointed out, these are serial notes financing an amortizable extraordinary maintenance item. Consequently, we find that the debt ratio of respondent in these proceedings to be about 26.1 per cent. The composite annual cost of such existing debt is 3.68 per cent. Taking into account the expense of issuance and premium, the company's expert computed the weighted average cost of respondent's note financing at 3.61 per cent. This, however, includes the cost of the conversion notes, which are not properly a part of the permanent capitalization of the company.

Over the period of 1947–1951, inclusive, the stocks of a representative group of gas distributing companies sold at an average earnings-price ratio of 8.55 per cent. They paid out about 74 per cent of their earnings in dividends, and the average yield on their equity securities was 6.13 per cent. Respondent's common stock has sold over the past year to yield 6.16 per cent on an earnings-price ratio of 7.25 per cent. The expert for the company concluded that the reasonable cost of equity money to respondent was at an earnings-price ratio of 7.25 per cent, and that the aggregate cost of money to respondent lies between 6.27 and 6.36 per cent, on varying hypotheses. While we do not entirely agree with his opinions, due to his inclusion as debt securities certain items which we believe to be questionable, if not improper, any modifications we feel to be proper would serve only to increase his percentages. We cannot say that the figures to which he arrived would be exorbitant, either

from the record or on the basis of previous decisions (see Re Western Massachusetts Electric Co. D.P.U. 9658, *supra;* New England Teleph. & Teleg. Co. v. Department of Public Utilities [1951] 327 Mass 81, 88 PUR NS 73, 97 NE2d 509) or from our ex parte observations of the trends of investment markets. Accordingly, we find that respondent must be allowed to earn at least 6.25 per cent on its invested funds if it is to maintain its financial well being under the requirements of the Hope Natural Gas Case (1944) 320 US 591, 88 L ed 333, 51 PUR NS 193, 64 S Ct 281.

None of the figures that are before us indicate that, under any hypothesis which the record permits, and taking into account all of the modifications which seem proper to us, respondent's operations in the immediate future under the rates placed in effect January 1, 1952, will approach the minimum allowable rate of return of 6.25 per cent. We are forced to conclude that the rates established by Springfield Gas Light Company by the tariffs here under investigation are no higher than is reasonable and proper, and that this investigation ought to be terminated forthwith without further action by the department. As respondent's business increases, as it doubtless will under the decreased rates so placed into effect and under the impetus of the increased sales effort which respondent appears to be making, it may be that further modifications of its rate schedules will be justified.

[11] Respondent still retains in its rate schedules, differentials based on type of use, and has not only conserved these differentials in its new rates but has actually widened them, percentage-wise. We have previously observed that the only excuse for rate differentials as between customers of the same general category is a difference in cost. Unless it costs a utility less to serve a given class of customers, it does not seem proper to us that they should be given any special rate treatment based simply on character of use. See Re Boston Edison Co. (1949) D.P.U. 8228. Respondent's rate schedules contemplate lower rates for customers owning and (we assume) operating house-heating appliances. Respondent is now buying natural gas under a contract which features a substantial demand charge which demand charge is measured by the highest demand during the previous twelve months' period. The commodity component of such cost under its purchase contract varies directly with the amount of gas purchased, i.e., there is no sliding scale whereby the cost of a large quantity of gas is less per unit to the company. The 24-hour peak of respondent's demand in 1952 was reached on January 30, 1952, and the next two largest peaks were on December 28th and February 13th of that year. It will be noted that these dates are during the precise period when the house-heating customer makes his greatest demand on respondent's system. The logical conclusion from these facts would be that the house-heating customer should be charged the higher rates. It is quite understandable that such a rate schedule might be impracticable from a sales standpoint, and it is also understandable, both from a sales and cost standpoint, that a properly designed rate schedule might necessarily involve

a sliding scale over a very wide range of usage, whereby the customer using the larger amount of gas obtains it at a smaller cost per unit. What we cannot understand is why a house-heating customer, with a bad load factor, should be able to obtain the identical amount of gas at any lower price than anyone else, merely because he uses it for house heating instead of, say, for baking bread in the home, or for water heating, or for refrigeration. We note, in this connection, that respondent's rates for major building heating (Schedule F) which, as we say, include peak use simultaneous with the company peak, are applicable also to air conditioning use, the peak of which is obviously complementary to the company peak. We make no order in this connection in this case, but will direct that respondent institute a study and report to us by January 1, 1954, a program designed to bring its rate schedules into form more consistent with the ideas here expressed.

Respondent has filed two sets of requests for rulings of law, waiving the limitations imposed on our decision in connection therewith by § 5 of Chap 25 of the General Laws. In connection with its original filing we grant its requests Nos. 1 and 6. We deny its requests Nos. 2, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, and 14. Of its additional requests we deny its request No. 1 since the company did not accept such grant of authority and has not made proper book entries accordingly. We deny request No. 2 as immaterial. We deny its request No. 3.

Accordingly, after due notice, public hearing, investigation, and consideration, it is hereby

Ordered: that the consent of the department to amortization of cost of abandonment of the coal gas properties of Springfield Gas Light Company, as contained in letters dated respectively January 28, 1952, and January 14, 1953, be amended in accordance with the findings made herein, and that Springfield Gas Light Company make appropriate entries in its books and records to reflect such modifications, and it is *further*

Ordered: that Springfield Gas Light Company file with the department on or before January 2, 1954, studies relating to a general plan for amendment of its rate schedules to eliminate or modify rate differentials as between house heating and other types of use, and it is *further*

Ordered: that the investigation by the department into the propriety of the rates and charges for gas stated in M.D.P.U. Nos. 67 to 71, inclusive, and Revised Sheets 5, 6, and 7 to M.D.P.U. No. 7 filed by Springfield Gas Light Company on December 21, 1951, be and the same is hereby terminated and closed.

DELAWARE PUBLIC SERVICE COMMISSION

Re Diamond State Telephone Company

Docket No. 100, Order No. 166
August 31, 1953

APPLICATION *of telephone company for authority to increase rates; modified rate increase authorized. Rates, rules, and regulations submitted by company approved September 10, 1953, by Order No. 167.*

Revenues, § 2 — Estimates for the future.

1. An estimate of the future revenues of a telephone company based on the results of a 12-month period in the past was preferred to an estimate based on a 6-month period, p. 86.

Expenses, § 46 — Contributions.

2. Contributions by a telephone company were not allowed as operating expenses, p. 86.

Expenses, § 99 — Wages.

3. The allowance for wages in a telephone company's expense account will be based on actual wage levels, rather than a forecast of increased wage levels at some future time, p. 86.

Expenses, § 114.1 — Income tax allowance — Subsidiary company.

4. An adjustment to the book provision for federal income tax of a local telephone company was made in a rate proceeding to permit the local company to claim an equitable apportionment of tax savings resulting from its parent company's debt ratio, p. 86.

Valuation, § 288 — Working capital allowance.

5. No working capital allowance was made for a telephone company which failed to show its need for any such allowance, p. 87.

Valuation, § 30 — Rate base — Reproduction cost — Original cost.

6. The commission, in determining a rate base for a telephone company, gave due consideration to all testimony regarding reproduction cost as well as original cost of plant devoted to intrastate service, p. 87.

Return, § 111 — Telephones.

7. A return of 6.25 per cent on the fair value of a telephone company's property was considered proper, p. 88.

Rates, § 565 — Telephones — Coin box service.

8. An increase in the minimum local message charge for public and semi-public coin telephones from 5 to 10 cents was considered just and reasonable, p. 89.

APPEARANCES: John C. Hazzard, Walter C. Phillips, Commissioners; Chairman, Vernon B. Derrickson and William S. Potter and Richard F.

Corroon, of Berl, Potter and Anderson, Wilmington, and John B. King and Paul Maloney, of the Philadelphia Bar, Counsel for The Diamond State Telephone Company; Max Terry and James J. Walsh, Counsel for the Commission.

By the COMMISSION:

Nature of Application

On June 19, 1953, The Diamond State Telephone Company (hereinafter referred to as company), filed an application for approval of increased rates for certain telephone services within the state of Delaware to become effective July 22, 1953. Schedules containing the proposed rates and charges were filed with the application. Included therein is a proposal to increase the minimum charge for pay station calls from 5 to 10 cents.

The increased rates and charges for the telephone service proposed for the company are calculated by it to produce additional net earnings, after taxes, of approximately $717,600. After giving effect to existing taxes, the company estimates that it would be necessary to increase its gross revenues by approximately $1,514,000 in order to produce the desired amount of net earnings.

After appropriate notice, formal hearings were commenced on July 15, 1953, and continued on August 7 and August 19, 1953. No protestants appeared at the July 15th or August 7th hearings. At the August 19th hearings, certain protestants appeared and testified, one in an individual capacity and another on behalf of an association.

Reasons for Filing Application

The company stated the following reasons for filing the present application with the commission. Shortly after World War II in 1945, this entire area experienced a tremendous industrial development which had its effect on the company. On May 6, 1949, the old City of Wilmington Board of Public Utility Commissioners (now extinct) granted an increase in rates, but the growth of industry was so rapid and an inflationary trend, seemingly checked in 1946 and 1949, resumed its upward spiral, and the rates became out of line. The immediate effect of the changed economic situation was a sharp increase in the demand for service requiring a substantial expansion in plant facilities, which was accompanied temporarily by an improvement in the company's earnings as a result of the increased business activity. However, the detrimental effects of the inflationary spiral have now caught up with the company as a result of increased expenses, wage increases to its employees, and an increase in the federal income tax rates, so that the company earnings deteriorated progressively in 1951, 1952, and 1953. The company's earnings declined to a level that made it necessary to reduce the surplus account in 1952 in order to pay the $2 annual dividend per share. In addition to these direct effects of the inflationary pressure, the company cites an increase in the cost of capital, as well as certain hidden or less obvious adverse effects of inflation resulting from the decline in the purchasing power of the dollar from a standpoint of preserving intact the plant necessary to provide service. As a result of this inflationary squeeze, the company contends that it is earning substantially less than a fair rate

of return upon the property devoted to furnishing intrastate service in the state of Delaware, with little prospect of improving the rate of return without an increase in rates.

Results of Operations

The company presented testimony designed to show what the annual net earnings would be for the year ended October 31, 1953. This necessitated an estimate of six months' operation from April 30, 1953. In addition to the forecast, certain adjustments were made to the estimated annual figures. Certain of these adjustments were for the purpose of reclassifying amounts charged or credited below the line, as required by the Uniform System of Accounts, while others were for the purpose of normalizing the income. No objection was raised as to the inclusion of interest during construction and service pension accruals, but objection was raised as to the inclusion of contributions, for the reasons stated in the record. Objection was also raised as to the adjustment for future wage costs, and the propriety of eliminating a tax adjustment.

Witness for the state offered an exhibit which was based upon the actual results of the last twelve months. No projection for future estimates was included, nor was adjustment made for future wage costs, etc. It was related to the average investment that produced that income without embellishment. It is significant to note that state's Exhibit No. 2 did include interest during construction and service pension accruals, as did the company's exhibit.

[1–3] The differences between the two exhibits may be reduced to the following:

(1) Difference in period covered. Company exhibit includes six months' forecast while state's exhibit is based upon the past twelve months.

(2) Contributions. Company exhibit includes contributions as an operating expense while state's exhibit does not.

(3) Wage adjustment. Company exhibit includes an amount for increased future wage levels, while state's exhibit does not, being related to an actual period.

(4) Tax adjustment. Company exhibit eliminates an adjustment of book taxes as being related to a prior period, while state's exhibit does not.

After consideration of the differences between the two exhibits and the reasons therefor, this commission concludes that the net operating income as presented on state's Exhibit No. 2 is more realistic and adopts that exhibit as being a fair and reasonable computation of the net operating income for the test period ended April 30, 1953.

It should be noted that no differences arose as to the apportionment of the various items between total company and intrastate.

Federal Income Tax Adjustment

[4] Exhibits offered by the company included a provision for federal income tax as recorded on the books. Witness for the state offered an exhibit reflecting an adjustment to the book provision (state's Exhibit No. 3). The reasons as stated for the necessity of the adjustment point out that Diamond State is 100 per cent owned by AT&T as to common stock. There is no preferred stock, and only

three million in debt outstanding. This financial structure is peculiar to the Bell System, where the majority of the debt is held in the name of AT &T. The debt ratio of the Bell System in 1952 was approximately 44 per cent, whereas Diamond State had only about 12 per cent debt, with no prospects of any increase. The result of such a distribution of debt between parent and subsidiary is that the subsidiary has a minimum of interest expense for deduction in computation of federal income tax. By reason of this minimum interest paid credit, the federal income tax liability, as computed on a separate return basis, is abnormally large. A proper allocation of the system debt to the subsidiary company would result in a lower tax liability.

But the company accrues federal income tax provisions on the basis of individual company return, thus getting no credit for its share of the system debt held by AT&T. State's Exhibit No. 3 outlines a method whereby an equitable apportionment of the system debt may be made. It is based upon a procedure developed jointly by the NARUC and AT&T, and while not represented as being perfect, is offered as the best available method. In this the commission concurs.

Further testimony developed the fact that the Bell System effects material savings through filing a consolidated return, but no subsidiary company receives any portion of the savings. No adjustment was offered by either side as regards this matter, but the commission must consider this, among other things.

After serious consideration of state's Exhibit No. 3, and the reasons as offered for its inclusion, and recognizing that the problem of proper federal income tax allowance for Bell System subsidiary companies has long been a problem of various regulatory bodies, and has been treated in various manners by other bodies, this commission concludes that the adjustment to the book provision for federal income tax as set out on state's Exhibit No. 3, and included in state's Exhibit No. 4 as an adjustment to net operating income (Item No. 11) is fair and should be allowed.

Rate Base

[5, 6] Two widely different rate base calculations were offered. That of the company consisted entirely of reproduction cost values, while that of the state depended entirely upon book costs. In addition, the company rate base included an allowance for cash working capital, while that offered by the state did not.

Considerable testimony was offered by the company as to the accuracy of the estimations made in arriving at its figures for reproduction cost, while the state restricted itself to pointing out weaknesses in theory and application. The commission is aware that any estimation of reproduction cost must necessarily be predicated upon assumptions and judgments, and that any qualified group would probably arrive at a figure different from that of another equally qualified group, because of the necessity for the exercise of judgment.

As regards the elimination of any allowance for cash working capital, the state depended upon tests made of a sister Bell System company. Such results are not necessarily conclusive as being completely applicable to Dia-

mond State, but it was demonstrated that considerable latitude could exist and there would still be no need for any allowance for cash working capital. The company did not contend that the results of the test as shown were improper, but that only they were not applicable to Diamond State. This is undoubtedly true, but the commission cannot blind itself to the fact that such tests are a prime indicator of the conditions existing in Diamond State. It is also significant that neighboring states have excluded any allowance for cash working capital from the rate bases allowed for the Bell System companies operating within their respective jurisdictions.

The commission, after consideration of all the testimony regarding this matter, concludes that the company has failed to show that it needs any allowance for cash working capital and that no allowance for such should be included in the rate base.

The commission further concludes, after duly considering all the testimony regarding reproduction cost values, as well as the original cost of telephone plant devoted to service in the state of Delaware, and after further considering all the related testimony in this case, that the fair value of the property of The Diamond State Telephone Company, including material and supplies, as related to the test period ended April 30, 1953, amounts to $22,000,000.

Rate of Return

[7] Company witness offered various exhibits purporting to support a return of 6.17 per cent, but admitted on cross-examination that his testimony measured the return of a hypothetical electric utility being based on studies of various electric utilities. Nowhere did he show the relative positions of rate of return figures for telephone companies as compared with electric utilities.

Witness for the state offered testimony which was general in nature, but did bear upon Bell System companies. He arrived at a figure of 6.25 per cent as being the rate of return to be applicable to the fair value of this company. There was no contention on the company's part that such a return was not fair and reasonable, in fact, counsel for the company said that there was no difference between state and company as regards this matter.

This being so, the commission concludes that the fair return to be allowed this company should be, and is hereby adjudged to be, 6.25 per cent on the fair value as found.

Conclusions

Rate of Return

As heretofore indicated, the testimony of the witness pertaining to this element of rate making has been carefully reviewed and analyzed. The necessity for comparison and an indirect approach because of the relationship of wholly owned subsidiary and parent in all financial matters has been pointed out. The rate of return is not a matter of mere mathematical computation and the decision must rest upon such assumptions as are found to be most reasonable and most indicative of equity between the company and the ratepayers. In line with the above, the commission finds and concludes that a rate of return of 6.25 per cent is fair and reasonable and will main-

tain the company in a sound financial condition.

Rate Base

Upon the basis of the test period ending April 30, 1953, and upon allocation procedures which have been approved, the rate base, for purposes of this proceeding, the commission finds and concludes to be $22,000,000.

Operations under Present Rates

After review of the testimony of record, and in consideration of the findings heretofore made, the commission finds and concludes that, for the purposes of this proceeding in the determination of the adequacy of the present rate schedule, the return earned from operations within the state of Delaware is $1,126,638.

The commission further finds and concludes that a return of $1,126,853, when related to the rate base heretofore found to be $22,000,000, provides, under present rates, a rate of return of 5.1 per cent.

The commission also finds and concludes that, in view of the previous finding that a rate of return of 6.25 per cent is fair and reasonable, the return earned under present rates is less than a fair return on the value of the company's property devoted to the rendition of intrastate telephone service in the state of Delaware.

Operations under Proposed Rates

Based upon the findings heretofore made, the commission finds and concludes that for the test period the fair and reasonable return from the state of Delaware operations should be $1,375,000. Such a return would require a rate structure which would provide a net increase in gross revenues, before provision for taxes, of $517,000.

Revised Rate Schedules

[8] The rate schedules as proposed include an increase in the minimum local message charge for public and semipublic coin telephones from 5 cents to 10 cents, estimated to produce total additional gross revenues of approximately $78,000. The commission finds and concludes that the proposed minimum charge of 10 cents for public and semipublic coin telephones is just and reasonable. The commission finds and concludes, therefore, that the proposed schedule for public and semipublic coin telephone service should be approved.

The commission, having found that the company is entitled to an increase in gross revenues of approximately $517,000, and having approved the proposed increase for public and semipublic telephone service, estimated to produce gross revenues of approximately $78,000, will direct the company to present revised schedules to produce the additional gross revenues of approximately $439,000 from other classes of service, such additional amounts to be distributed equitably among the various classes of service.

For the reasons hereinbefore stated, the commission finds and concludes that the rate schedules proposed by the company, other than for public and semipublic telephone service, would produce an excessive return and should be disapproved, and that revised rate schedules should be filed in accordance with the findings and conclusions herein made. Therefore, it is *ordered:*

Section 1. That The Diamond State Telephone Company be, and it is hereby, directed to submit to this commission for consideration rate sched-

ules designed to produce approximately $517,000 additional gross revenues on an annual basis, in accordance with the findings and conclusions accompanying this order.

Section 2. That copies of the rate schedules provided for in § 1 hereof be served upon the parties of record in this proceeding at the time of filing with this commission.

CONNECTICUT PUBLIC UTILITIES COMMISSION

Re Derby Gas & Electric Corporation

Application No. 8862

Re Derby Gas & Electric Company, Re Wallingford Gas Light Company, Re Danbury & Bethel Gas & Electric Light Company, and Re Derby Gas & Electric Corporation of Connecticut

October 8, 1953

APPLICATION *for authority to merge subsidiary gas and electric companies pursuant to dissolution plan of holding company; granted.*

Consolidation, merger, and sale, § 24.1 — Elimination of holding company — Corporate simplification.

The merger of subsidiary gas and electric companies in connection with the dissolution of a holding company was authorized where there was doubt as to whether any of the operating subsidiary companies were permitted, under § 11(b) of the Federal Holding Company Act, 15 USCA § 79k(b), to continue to operate both an electric and a gas business as long as they were controlled by the holding company, where the surviving corporation would have no more authority than that originally held by the constituent companies, where the merger would not adversely affect other electric and gas companies in the state, where creditors of the existing companies would not be adversely affected, where the resulting corporate simplicity would effectuate more efficient operation in that duplication of efforts and personnel would be reduced to a minimum, and where the holding company served no substantial purpose in so far as the public interest was concerned.

Finding

By the COMMISSION: On June 17, 1953, there was filed with the commission a joint application seeking commission's approval of merger by and of Derby Gas and Electric Corporation, a holding company as defined in the Public Utility Holding Company Act of 1935 and incorporated under the laws of the state of Delaware hereinafter called holding company, and The Derby Gas and Electric Company,

The Wallingford Gas Light Company, The Danbury and Bethel Gas and Electric Light Company, and The Derby Gas and Electric Corporation of Connecticut, all public service corporations as defined in Section 5390 of the General Statutes, Revision of 1949 and incorporated under the laws of the state of Connecticut.

The matter was assigned for a public hearing to be held at the office of the commission on July 7, 1953. Notice of the pendency of the application and of the hearing to be held thereon was given to the applicants, to the Securities and Exchange Commission, Washington, D. C., to the cities of Danbury and Derby and the town of Wallingford, and to such other persons as in the opinion of the commission appeared to have an interest in the matter. Legal notice was given by publication in the Danbury News Times, a newspaper having circulation in the area wherein the applicants have their field of operation. At the time and place of the hearing, the applicants appeared by counsel and the Securities and Exchange Commission appeared in support of the application by counsel.

The merger herein sought to be approved has its foundation in a plan that has been pending and under consideration by the companies involved for a number of years. The approval of the Securities and Exchange Commission is also required before the plan can be effectuated.

The Derby Gas and Electric Corporation is a registered holding company under the Public Utility Holding Company Act of 1935 and has its offices in New York city. The holding company is the owner of all the outstanding shares of stock (excepting directors' qualifying shares) of The Derby Gas and Electric Company, The Wallingford Gas Light Company, The Danbury and Bethel Gas and Electric Light Company, and The Derby Gas and Electric Corporation of Connecticut.

The Derby Gas and Electric Company, The Wallingford Gas Light Company, and The Danbury and Bethel Gas and Electric Light Company are all active public service companies as defined by § 5390 of the General Statutes.

The Derby Gas and Electric Corporation of Connecticut, also a public service corporation, has always been wholly inactive and has no more than nominal capitalization, it having been chartered for the purpose of effectuating the merger.

The Federal Public Utility Holding Company Act of 1935 is administered by the Securities and Exchange Commission and the holding company has been advised that there is doubt whether any of its active operating subsidiary companies are permitted under the provisions of § 11(b) of that act to continue to do both an electric utility business and a gas utility business as long as they are controlled by the holding company. The holding company is of the opinion that it would be of greater advantage to the shareholders and more economical and feasible to its customers, to comply with the provisions of § 11(b), *supra,* by dissolving its corporate existence than by causing any of its subsidiaries to effect the disposition of either the electric utility or gas utility business carried on by such active operating companies.

Under the proposed merger the holding company shall cease to exist except for the purpose of winding up its affairs. At the same time, the three active operating companies shall by the merger cease to have an independent existence but shall merge into and with The Derby Gas and Electric Corporation of Connecticut, to be known as The Housatonic Public Service Company on the completion of the merger, and thus will no longer be subject to the jurisdiction of the Securities and Exchange Commission. This latter company originally chartered in 1935, as The Derby Gas and Electric Corporation of Connecticut changed its name to The Housatonic Public Service Company by Special Act of the 1953 General Assembly of Connecticut.

The completion of the merger is to be effected by:

(a) Transfer of all physical assets of the operating companies taken exactly as they are from their individual books and placed on the books of The Housatonic Public Service Company with no change in valuation of those assets.

(b) Conversion of stock from no par to par value of $15 a share. 329,276 of these shares of stock having the par value of $15 a share are to be issued share for share to shareholders of the present holding company.

(c) The cost to the holding company of the shares of Derby Company, Wallingford and Danbury exceeds by $2,808,526.15, the underlying book value of such subsidiaries at October 21, 1941, or, if subsequently acquired, at the date of acquisition. Under the plan such excess cost will be eliminated in connection with the merger. Under the plan the write-off of the item of $2,808,526.15, referred to above, will be accomplished by converting all of the outstanding shares of no par value stock of the holding company into a like number of shares of $15 par value with offsetting charges to capital surplus of $2,460,190.65 and to earned surplus of $348,335.50. Since at December 31, 1952, there were outstanding 282,237 shares of the holding company having a stated value of $6,931,849.21, capital surplus of $2,698,294.21 arises from the conversion of the common stock.

(d) The outstanding collateral trust debentures of the holding company as of May 31, 1953, consist of series A 3's due in 1957 in the amount of $4,581,000 and series B 3½'s due in 1957 in the amount of $891,000. These are to be rewritten in the amount of the outstanding balance as of the date of merger and secured by a mortgage of the physical assets of the Housatonic Public Service Company. The terms of the supplemental indenture also increase the authorized principal amount of debentures of series B from an authorized $900,000 to an authorized $1,050,000 and also provide for authentication and delivery of $150,000 principal amount of debentures of series B, the proceeds thereof to be held by the trustee for payment on December 1, 1953, of $150,000 principal amount of first mortgage collateral bonds of The Danbury and Bethel Gas and Electric Light Company.

(e) The capital stock and surplus of the resulting or merged company will be $6,066,577 which includes 329,276 shares of common stock having a par value of $15 per share. Effect has been given in this computation to the

issue of 47,039 shares of stock as of May 31, 1953, which issue has been approved by the Securities and Exchange Commission.

Under the plan, all rights and corporate powers of the old companies will be completely retained and merely merged into and become the powers of the new operating company.

Upon consummation of the merger The Housatonic Public Service Corporation will become the owner of all of the property, rights, franchises, and privileges of the three merging companies, and will be responsible for the performance and discharge of their duties and obligations. Creditors of the existing companies will not be adversely affected for the rewriting of the debenture will preserve their rights against the assets of the company. The stock issue will retain the security of all persons who are investors in the company.

The merger will have no adverse effect on other Connecticut electric and gas companies, nor vest any new authority in the new company not held by the constituent companies, for powers, rights, franchises, property, and immunities will be contained within the limits of those held by the present operating companies and will not be enlarged territorially or in any other manner.

Corporate simplicity makes for more efficient operation in that duplication of efforts and personnel is reduced to a minimum. The accomplishment of this merger will increase these possibilities in the new company's operation. The holding company serves no substantial purpose in so far as the public interest is concerned and, therefore, as to that interest, its elimination will be without effect.

From all the evideince, the commission finds that approval of the merger is in the public interest and that it should be, and hereby is, approved in accordance with the plan on file and subject to all conditions hereinafter set forth.

ORDER

Wherefore, it is *ordered:*

1. That the Derby Gas and Electric Corporation (holding company of Delaware), The Derby Gas and Electric Company, The Wallingford Gas Light Company, and The Danbury and Bethel Gas and Electric Light Company are hereby authorized to merge with and into The Housatonic Public Service Corporation on the terms and conditions set forth in the petition as on file.

2. The Housatonic Public Service Corporation is authorized to issue 329,276 shares of common stock at the par value of $15 a share, said shares to be issued share for share to the shareholders of the present holding company.

3. The Housatonic Public Service Corporation is further authorized to issue its debentures in two series, series A in the principal amount of $4,531,000 bearing interest at the rate of 3½ per cent to be due July 1, 1957, and series B in the authorized amount of $1,032,000 bearing interest at 3½ per cent due in 1957.

4. The shareholders of The Housatonic Public Service Corporation shall have the right of cumulative voting for directors.

The approval of the merger and issuance of the capital stock author-

ized above are subject to the following conditions:

1. That the books of accounts and opening entries of The Housatonic Public Service Corporation as of the date when such merger shall become effective shall be submitted to the commission for its approval before the same are entered upon the books of The Housatonic Public Service Corporation.

2. This order shall not be construed as determining or establishing any value of any of the merging companies or The Housatonic Public Service Corporation for the establishment of rates and charges for utility service rendered by the company in any proceeding before the commission.

We hereby direct that notice of the foregoing be given by the secretary of this commission by forwarding true and correct copies of this document to parties in interest, and due return make.

CIVIL AERONAUTICS BOARD

Capital Airlines, Inc.

v.

Northwest Airlines, Inc.

Docket No. 6229
November 13, 1953

REQUEST *by aircarrier for Civil Aeronautics Board to institute enforcement proceedings against alleged unfair competition of competing airlines; dismissed.*

Monopoly and competition, § 6 — Civil Aeronautics Board's jurisdiction — Unfair competition — Statutory authority.

1. The statute giving the Civil Aeronautics Board jurisdiction over unfair practices and methods of competition is permissive and not mandatory, p. 96.

Monopoly and competition, § 6 — Civil Aeronautics Board's jurisdiction — Unfair practices — Public interest.

2. The Civil Aeronautics Board refused to assume jurisdiction over an aircarrier's complaint that a competing carrier's practice of advertising and serving alcoholic beverages on certain flights violated the laws of certain states and constituted unfair competition, because it believed the state courts were more convenient forums to determine whether the laws of a particular state prohibited such sale and service and whether the state legislature intended such prohibition to be applied to aircraft in flight over the state, that the questions of statutory construction and state policy were peculiarly within the province of state courts, and that there was no reason to believe that the

complaining aircarrier could not obtain relief, if it were so entitled, by complaining to the appropriate state enforcement officers, p. 96.

By the BOARD: This matter comes before us upon the motion of Capital Airlines, Inc. (Capital), requesting us to review the action of the Office of Enforcement in refusing to institute enforcement proceedings upon Capital's complaint against Northwest Airlines, Inc. (Northwest). Capital's complaint, filed with the Office of Enforcement, alleged that Capital and Northwest compete directly between Washington and Minneapolis/St. Paul, and between New York and Minneapolis/St. Paul; that Northwest advertises that it serves, and does serve, alcoholic beverages to passengers traveling on aircraft (except coach) operated between said points; and that such practices give Northwest a definite competitive advantage over Capital. The complaint further alleged that the competing services are conducted by flights in the air space over ten states, and that Capital has been advised by authorities of seven of such states[1] that the sale of alcoholic beverages under the described circumstances is illegal. In view of the foregoing, Capital claims that the advertising and sale of alcoholic beverages by Northwest, in violation of the laws of the various states, constitute unfair practices and unfair methods of competition within the meaning of § 411 of the act, 49 USCA § 491, and that Capital could compete with Northwest only by violating the various state laws and being thereby unfairly subjected to the risk of serious fines and penalties. Capital states that it has requested Northwest to cease all advertising and sales of alcoholic beverages in violation of the law, but that Northwest has not indicated that it intends to comply with Capital's request.

On July 31, 1953, the Chief of the Office of Enforcement advised Capital by letter of his refusal to institute enforcement proceedings, stating that he did not believe it would be in the interest of the public to take action on the complaint or for the board to institute at this time an investigation of the matter. He noted that, in reaching this conclusion, he had considered the fact that the issues raised by the complaint involve the resolution of a multiplicity of laws, both state and local, as well as the question of primary jurisdiction and the proper forum for such determinations. He also pointed out, although it was not a factor in reaching his decision, that there are a number of state statutes and local ordinances on a wide variety of subjects which might bear upon competitive practices of aircraft flying over such political subdivisions and that the policing of such aircraft for possible violations would, as a practical matter, be well nigh impossible.

Capital thereupon filed with the board the instant motion to review the refusal of the Chief of the Office of Enforcement to institute an enforcement proceeding. A supplemental motion for review filed by Capital alleges that Northwest also advertises

[1] New York, Pennsylvania, Maryland, Virginia, West Virginia, Ohio, and Wisconsin. The complaint alleges that sales are permitted in Minnesota, New Jersey, and Michigan only if special licenses are obtained and special requirements met.

that cocktail service is available on "Clubliner" service between Pittsburgh and Washington, and between Pittsburgh, Cleveland, and Detroit, and that Northwest has recently advertised in a Washington newspaper, using a picture which shows the service of drinks on its Stratocruiser flights to Detroit.

[1, 2] For the purposes of Capital's motion, we may assume, without deciding, that the board's jurisdiction under § 411 extends to the controversy embraced in Capital's complaint. However, § 411 does not make it mandatory for the board to assume jurisdiction in such cases. The section is permissive. It provides that the board may investigate "if it considers that such action by it would be in the interest of the public, ..."

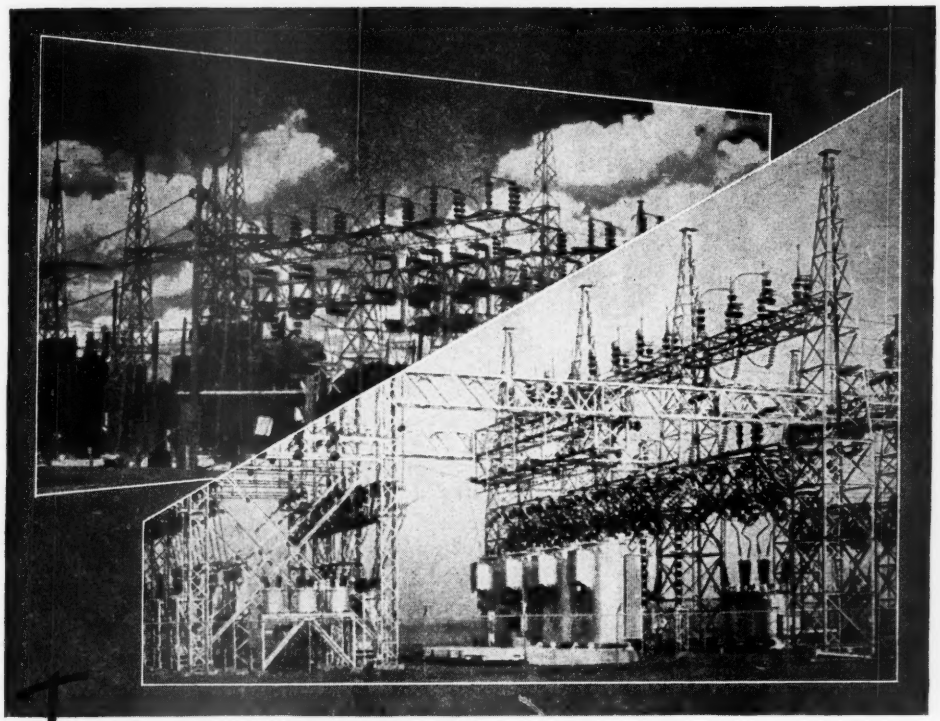
In this matter, we find and conclude that it would not be in the public interest for us to assume jurisdiction of the complaint. The state courts provide a more convenient forum to determine whether the laws of the particular state prohibit the sale and service of intoxicating beverages, and, if so, whether the state legislature intended such prohibition to be applicable to aircraft in flight over the state. The determination of these issues may involve questions of statutory construction and state policy, and is, therefore, peculiarly within province of state courts.[2] Considering the many matters pending before us that are exclusively within our jurisdiction, we do not believe that we should assume, in this instance and at this time, the burden of examining and interpreting the applicable laws of the various states, when there are other forums constituted and available for that purpose. Board action at the present time would appear to be unnecessary since there is no reason to believe that Capital cannot obtain the relief it desires by complaining to the appropriate state enforcement officers. If the various state laws do prohibit the practice, enforcement action by state officials would, if successful, prevent Northwest from continuing to violate the laws, thereby eliminating the alleged unfair competition.

It is therefore *ordered:*

1. That Capital's motion and supplemental motion to review the action of the Office of Enforcement be and they are hereby denied.

2. That Capital's complaint against Northwest be and it is hereby dismissed.

[2] Of course, there is also involved the question whether state prohibition laws may be made applicable to operations of aircraft in the navigable air space over such states.



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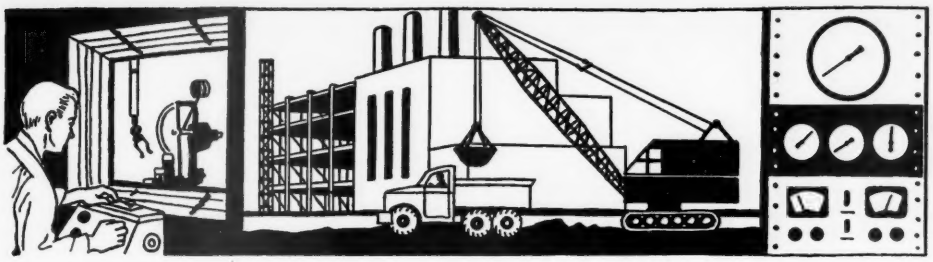

Industrial Progress

Kentucky Utilities Co. Plans $13,500,000 Program

KENTUCKY Utilities Company recently announced a 1954 construction budget of $13,500,000 for extension and improvement of its electric system which serves more than 204,000 customers.

The budget, approved by the company's board of directors, allocates approximately $4,000,000 for new transmission facilities, and like amounts for distribution and generation construction. The balance of $1,350,000 will be used for miscellaneous construction.

R. M. Watt, president, said that new transmission lines would be built to strengthen existing facilities and provide alternate feeders that can be used to maintain service in emergencies and during unusual operating conditions. The company is undertaking much of this construction to handle its rapidly growing industrial, commercial, rural and residential loads in the 74 Kentucky counties served by the company.

Expansion of facilities for rapid communication which is vital in power dispatching and in properly maintaining and quickly restoring electric service is included in the budget.

Twenty additional two-way radio systems for exchange of messages between local offices and service trucks are planned. K.U. has radio systems in operation in 42 areas. Operating range of these stations is up to 50 miles for office to truck communication.

A system of microwave radio transmission is planned to provide for voice dispatching of power and telemetering of circuits connecting Lexington General Office with K.U. facilities at Dix Dam and the Green River Generating Station.

New York State Natural to Spend $8,943,000 in 1954

NEW York State Natural Gas Corporation, Pittsburgh-based wholesale supplier of gas to 20 major New York and Pennsylvania gas distribution companies, spent approximately $10,946,000 in improving and expanding its facilities during 1953, and expects to spend an additional $8,943,000 during 1954.

During 1953, New York State Natural sold approximately 84,333,000,000 cubic feet. Estimated daily peak demand for the 1953-54 heating season is 935,000,000 cubic feet.

Pennsylvania Electric Continues Large-scale Expansion

PENNSYLVANIA Electric Company has announced plans to spend $80,000,000 in the next three years to continue its large-scale expansion program.

President O. Titus said the company will spend $30,000,000 for improvements this year after investing a record-breaking $40,000,000 in construction in 1953. This year's expenditures will bring the total expansion figure to $173,000,000 for the nine-year period from 1946 through 1954.

The company's biggest project this year will be the completion of Shawville generating station near Clearfield, which will nearly double the utility's total generating capacity. The first unit of the station is scheduled to go into operation in April and the second in August, making 275,000 additional kilowatts available to Penelec customers.

Another major project is the company's first 230,000-volt transmission line, running from Shawville to Montebello, Pa., through a new $2,000,000, 100,000-kva substation at Lewistown. The substation and a 31-mile section of the $4.5 million line were energized in November, and the remaining 56-mile section of the line is scheduled for completion early this year.

Delta-Star Production Methods Described in New Folder

THE Delta-Star Electric Division, H. K. Porter Company, Inc., has published an interesting and informative folder titled, *4 Steps to Better Products*, covering Delta-Star's recently expanded departments.

Illustrations and text depict each step of production from engineering through designing, testing, and finally manufacturing. This folder should be of interest to anyone concerned with better products of high-voltage electrical switchgear, according to the manufacturer.

Copies of the folder are available from Delta-Star Electric Division, H. K. Porter Company, Inc., 2437 Fulton street, Chicago 12, Illinois. Attention New Literature Department.

Commonwealth Edison Has $365,000,000 Program

COMMONWEALTH Edison Company has a construction program for the three years 1954 through 1956 amounting to approximately $365,000,000. This sum is the remaining portion of the company's $1,100,000,000 postwar expansion program begun in 1946. Upon completion, elec-

(*Continued on page* 24)

tric generating capacity of the Edi system will be 3,913,000 kilowatts, increase of 71 per cent since the e of World War II.

Cleveland Trencher Publishe New Full Line Bulletin

A NEW bulletin describing the co plete line of Cleveland trenchi equipment has been published by T Cleveland Trencher Company.

Included in the bulletin are de on Cleveland Trencher Models 9 95, 110 and 140, the standard m chines for city and suburban utilit and pipeline trenching from 10 in. 30 in. wide and up to 5½ ft. deep.

Cleveland Model 80 Backfiller-Side Crane—Tamper and Clevelan big pipeline team — the Model 3 trencher and the Model 190 Bac filler are also described.

Copies of the bulletin can be ob tained without charge by writing The Cleveland Trencher Compan 20100 St. Clair avenue, Cleveland 1 Ohio.

Griffiths Issues Supplement t Regular Catalog

THE E. F. Griffiths Company an nounces the publication of a new sup plement to their regular catalog o appliance servicing materials, speci tools, and conversion parts for th gas industries.

Copies of this new supplemen punched for easy insertion into th present catalog, will be sent short to all holders of the regular Griffith catalog to make them up to date o latest equipment.

Complete catalog is available o request from the E. F. Griffith Company, 346 E. Walnut Lan Philadelphia 44, Pa.

Public Service of N. J. Has $80,000,000 Program in 1954

CONTINUING postwar expansio plans, the construction program o Public Service Electric and Gas Com pany, Newark, N. J., amounts t $120,000,000, of which approximate ly $80,000,000 is expected to be ex pended in 1954 for additional electri and gas facilities to meet the increase demand in the areas served by th company.

One of the major projects is th new construction at the Burlingto generating station, a $32,500,00 undertaking, which will continu through 1954 and will probably b

(*Continued on page 26*)

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completed and placed in service in the spring of 1955.

It is planned to add 2,600 miles of new wire throughout its distribution system this year. Approximately 15,000 utility poles will be set to carry the new lines, and 4,500 transformers, 5,000 street lights and 27,000 electric meters—all new equipment—will be placed in service during 1954.

The company will also expand its present two-way system of radio communications, enabling construction and trouble crews to maintain close contact with various headquarter locations. Additional walkie-talkie units will also be put into service, expediting line construction work in the field.

New substations will be built at Dunellen and the Penns Neck area, while a number of unit substations —placed in strategic locations—will increase the company's capacity to serve in suburban areas.

To meet the consistent demands for increased gas service, the Gas Department has planned expansion of the gas manufacturing plants and distribution facilities. At Harrison Gas Works, two new cyclic catalytic reforming units will be installed, along with a new gas mixing station, yard mains and four additional connections to an existing gas holder. Other plants in the gas system will also have new facilities added during the year.

David B. Sloan Named President Of Gibbs & Hill

GIBBS & Hill, Inc., consulting engineers, designers and constructors, announced the election of David B. Sloan as president, succeeding E. C. Johnson, who has resigned as president and chairman of the board due to ill health. Mr. Sloan had previously been executive vice president.

Edward H. Anson, formerly vice president, was elected senior vice president, and John B. Saxe was elected vice president and chief engineer. Barclay G. Johnson, secretary of the corporation, was appointed vice president and engineering manager.

Engineering facilities representing construction cost of nearly $600,000,000 have been designed by Gibbs & Hill, Inc., since World War II.

Some of the engineering assignments carried out by the firm include steam-electric generating stations for Indianapolis Power & Light Co., the Atlantic City Electric Co. and other utilities; and steam, water and electrical facilities for the Savannah river operation of the Atomic Energy Commission.

Thirty Public Utilities Termed "Excellently Managed" for 195

THIRTY public utility companies in the power and light field have been certified as "excellently managed" by the American Institute of Management, New York. Ten of them received the award for the fourth consecutive year: Boston Edison Company, Boston; Cities Service Company, New York; The Cleveland Electric Illuminating Company, Cleveland; Consolidated Gas, Electric Light & Power Company of Baltimore; Consumers Power Company, Jackson, Mich.; The Detroit Edison Company, Detroit; Ohio Edison Company, Akron; Pacific Gas & Electric Company and Pacific Lighting Corporation, both of San Francisco, and Tampa Electric Company, Tampa, Fla.

For the third time in as many

(*Continued on page* 28)

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Northern Virginia Power Co., Riverton, Va.
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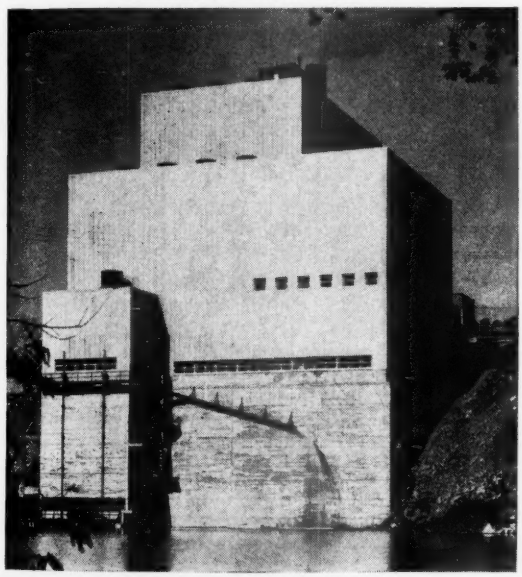

Every feature of a Q-Panel is a desirable feature for powerhouse construction . . . which explains why Q-Panels have captured the powerhouse market.

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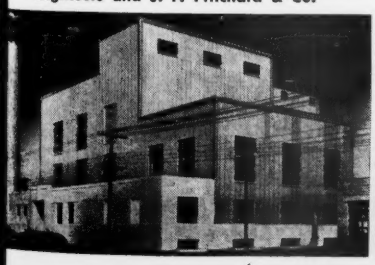
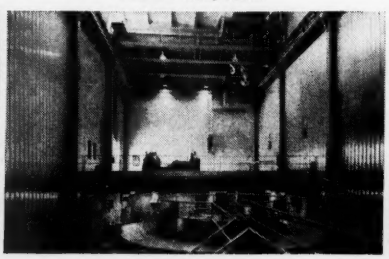
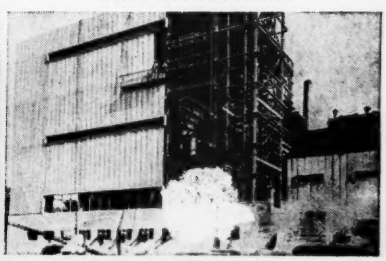


Tennessee Valley Authority Watauga Project
Elizabethton, Tenn.



Note clean, quick, dry, safe, curtain-wall construction.



INDUSTRIAL PROGRESS
(Continued)

years, American Gas & Electric Co pany, New York; The Cincinn Gas & Electric Company, Cincinn and Washington Gas Light Compan Washington, D. C., were designat "excellently managed."

Ten other concerns obtained t award for the second time this ye Commonwealth Edison Compan Illinois; El Paso Natural Gas Co pany, El Paso, Texas; General Pu lic Utilities Corp., New York; Iow Illinois Gas & Electric Compan Davenport, Iowa; The Kansas Pow & Light Company, Topeka, Kans Lone Star Gas Company, and Tex Utilities Company, both of Dalla Oklahoma Natural Gas Compan Tulsa; Southern California Edis Company, Los Angeles, and Vi ginia Electric & Power Compan Richmond.

Companies receiving the desig tion for the first time from the Ins tute included the following: Atlan City Electric Company, Atlantic Ci N. J.; Idaho Power Company, Bois Montana Power Company, Butt Pacific Power & Light Company a Portland Gas & Coke Company, bo of Portland, Ore.; Pennsylvan Power & Light Company, Allentow and Union Electric Company Missouri, St. Louis.

According to Jackson Martinde president of the Institute, only 3 companies in the United States a Canada, out of the 3,000 leading co cerns whose methods were studi by that non-profit foundation, we found eligible to receive the desig tion for the year 1953.

The full list of the 348 concer which have been given statements management condition certifying their excellence is now being pu lished in the foundation's *Manual Excellent Managements,* and is bei distributed to members.

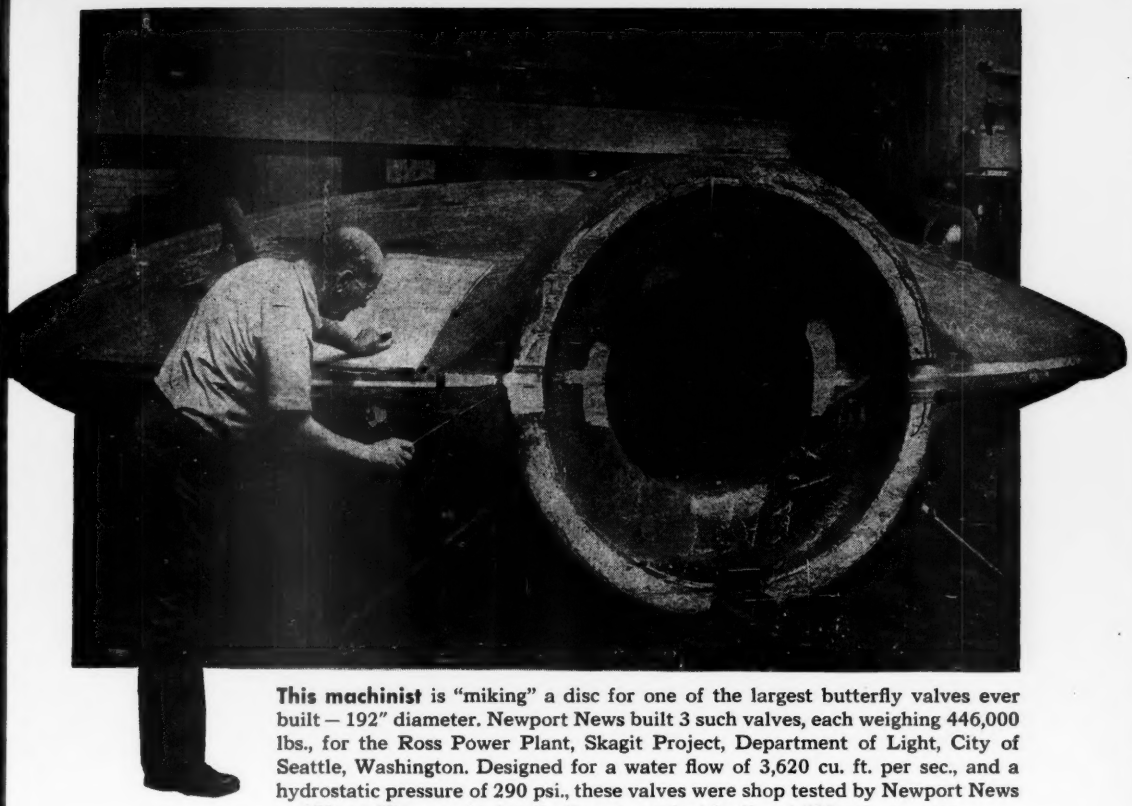
Copies of the manual are obtainab from headquarters of the Institute 125 East 38th street, New York.

Westinghouse Expands Mansfield, Ohio, Appliance Pla

MORE than 2½ million dollars w be spent during 1954 to rearrange a expand the Westinghouse Electr Appliance Division plant in Man field, Ohio.

This is the first step in a progra to approximately double productio of several major appliances and su stantially increase production of por able appliances, according to J. H Ashbaugh, vice-president.

(*Continued on page* 30)



This machinist is "miking" a disc for one of the largest butterfly valves ever built — 192" diameter. Newport News built 3 such valves, each weighing 446,000 lbs., for the Ross Power Plant, Skagit Project, Department of Light, City of Seattle, Washington. Designed for a water flow of 3,620 cu. ft. per sec., and a hydrostatic pressure of 290 psi., these valves were shop tested by Newport News at 450 psi. They are hydraulically operated with oil at 1,500 psi. pressure.

Birth of a **200-ton** Butterfly

This disc for a 16-foot butterfly valve reflects two basic advantages of Newport News fabrication...

First, it exemplifies the *careful attention* Newport News craftsmen give to every detail. And secondly, it attests to the *quality* with which Newport News produces in massive equipment for public utilities and allied industries...due to Newport News' high integration of skill and production facilities.

Additional advantages accrue to customers from extensive work conducted in Newport News' testing laboratories on problems related to water power equipment.

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United Illuminating to Build $100,000,000 Plant

UNITED Illuminating Company plans to build a $100,000,000 power plant on the west side of Bridgeport Harbor.

According to the announcements, the project may be developed over a period of 25 years or so.

The firm currently is constructing the Pequonnock substation on Steel Point power plant on the east side of Bridgeport Harbor.

All-time Construction Record Set in 1953

A NEW all-time high dollar-volume record was established in 1953 with $17,443,463,000 in construction contract awards according to Dodge Reports' totals. This total was 4 per cent higher than the previous all-time mark set in the preceding year for the 37 states east of the Rockies. F. W. Dodge Corporation, construction news and marketing specialists, states that the large volume of contracts let in the second half of last year indicates that the amounts of current construction activity and work to be put in place during the coming months are very high indeed.

One of the categories showing a big gain over 1952 was heavy engineering (public and private works and utilities) which was up 17 per cent. Nonresidential awards were up 4 per cent, and residential, although down a moderate 3 per cent, contributed heavily towards making 1953 a highly satisfactory construction year.

Individual 1953 totals were: nonresidential, $6,955,866,000; residential, $6,479,143,000; heavy engineering, $4,008,454,000.

$34,000,000 Program Planned By Alabama Power

L. M. SMITH, president, recently announced that Alabama Power Company's board of directors has approved a construction budget for additions and improvements of approximately $34,000,000 for the year 1954. The largest single item nearly $12,000,000 for the complet of Barry steam plant near Mob The first unit of this plant is expec to go into operation in February, a the second unit before the middle the year. At Gorgas over $4,000,0 will be devoted to new plant constr tion and to improvements at the c mine.

An item of approximately $8,20 000 in the 1954 budget is set as for extensions to new customers a includes the cost of meters, tra formers and other items. An expen ture of $1,800,000 is scheduled additions and improvements to distribution system, and $4,500,0 for new transmission lines and s stations and improvements to existi facilities.

Miscellaneous improvements generating plants will total $350,0 Automotive equipment, office equ ment and furniture and tools, imp ments and testing equipment amo to $489,500. Miscellaneous buildi and land additions will cost $280,0

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• This Directory is reserved for engineers, accountants, rate experts, consultants, and others equipped to serve utilities in all matters relating to rate questions, appraisals, valuations, special reports, investigations, financing, design, and construction. » »

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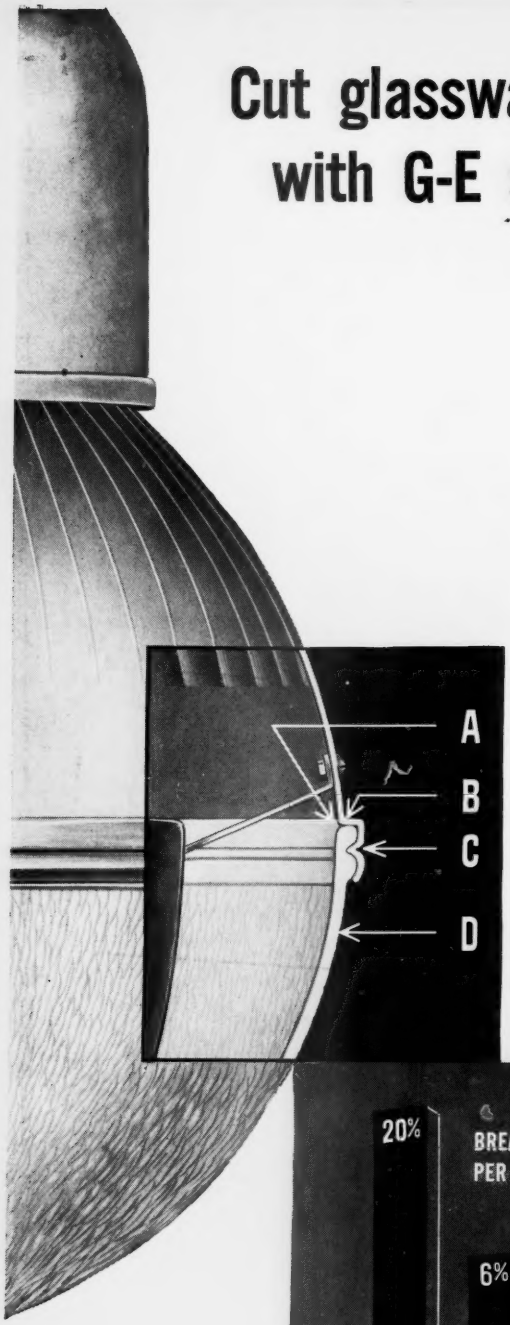

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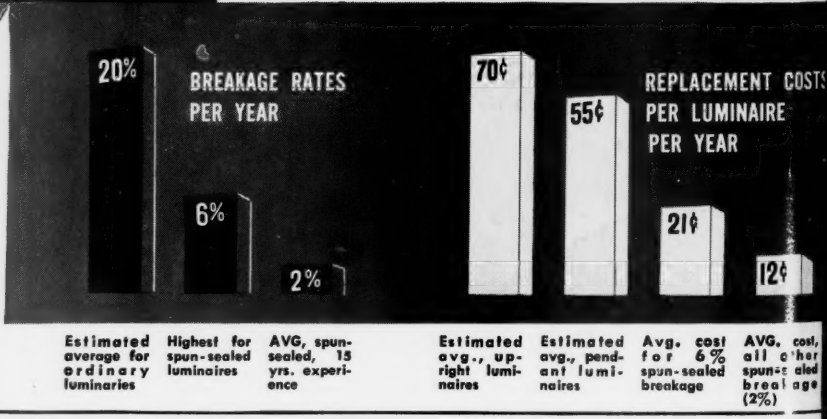
D. Pressed globes and refractors have exceptional strength and uniformity.



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